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ROYAL COMMISSION ON TRANSPORTATION

REGINA, SASKATCHEWAN
THURSDAY, June 9th, 1949.

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ROYAL COMMISSION ON TRANSPORTATION

REGINA, SASKATCHEWAN
Thursday, June 9th, 1949

HON. W. F. A. TURGEON, K.C. LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

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G. R. Hunter Secretary	P. L. Belcourt, Asst.Secretary.

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THE CHAIRMAN: Yes, Mr. O'Donnell.

MR. O'DONNELL: Mr. Chairman, the day before yesterday I indicated to the Commission and to my learned friend Mr. MacPherson,that a boat had left Montreal in connnection with the shipping service between Montreal and Vancouver. I understand the name of the company which operates that boat is the Monsen-Clark Limited; and that on February 11th theyissued a notice to shippers, of this Montreal to Vancouver service; and on May 4th their first sailing was established, of the S.S. Seskdalegate from Montreal.

THE CHAIRMAN: For Vancouver?

MR. O'DONNELL: For Vancouver. The second sailing is to be about the 30th of May, and monthly sailings thereafter have been advertised, I think, in the Montreal Gazette, in which paper there is a notice to shippers which appears quite frequently soliciting traffic for that route.

MR. MacPHERSON: I have just this to say with respect to that statement: That considering these dates, that February 11th, which I think was the first date given by my learned friend - -

THE CHAIRMAN: Date for what?

MR. MacPHERSON: The date of the information being given that this sailing was to take place, Mr. Chairman; that in the light of that, the railways have still made application to increase the transcontinental rates. I mean, they apparently have not been worried by the new competition which has come into the picture, and application has been made by them to raise the transcontinental rates.

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THE CHAIRMAN: It would not prevent the rates being lowered, though.

MR. MacPHERSON: No, Mr. Chairman.

MR. EVANS: Mr. Chairman, yesterday I spoke to the Commission aboutwhat I thought was an error in the records concerning the minimum express rate on butter. I must now confess that I was entirely wrong and that Mr. MacPherson was entirely right.

The original minimum express rate after the recent increase was 75 cents; and when the minimum was reduced to 50 cents, it did not include butter.

THE CHAIRMAN: So it is 75 cents.

MR. EVANS: Yes, Mr. Chairman.

THE CHAIRMAN: Yes, Mr. Covert?

MR. COVERT: Mr. Chairman, the first submission this morning is that of the Saskatchewan Co-Operative Producers Limited, which is commonly known as the Wheat Board, Mr. MacPherson.

MR. MacPHERSON: Mr. Chairman, I now call Mr. George W. Robertson.

GEORGE W. ROBERTSON, called

MR. MacPherson: Q. Mr. Robertson, you are the Secretary of the Saskatchewan Co-Operative Producers Limited?

A. Yes.

Q. And that is the name of the company now. It was the Saskatchewan Wheat Producers Limited?

A. The Saskatchewan Co-Operative Wheat Producers Limited.

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Q. Yes; and it was commonly known as the Wheat Pool; and you have been secretary since 1923?

A. Yes.

Q. You are the first and only secretary.

A. That is right.

Q. Now, you have a brief to present, Mr. Robertson, on behalf of the producers?

A. Yes.

Q. Will you kindly proceed then, Mr. Robertson.

A. Thank you.

Mr. Chairman and gentlemen: Mr. MacPherson has said that the Saskatchewan Co-Operative Producers Limited, which most people in the province refer to as the Saskatchewan Wheat Pool is a Producers Co-operative marketing Association, with a membership of something like 100,000 farmers who have voluntarily chosen to combine their efforts in the marketing of their grain and livestock.

Saskatchewan Co-Operative Producers Limited, is the parent organization and it has several subsidiaries. These are Saskatchewan Pool Elevators Limited, Saskatchewan Co-Operative Livestock Producers Limited, Modern Press Limited and Saskatchewan Pool Terminals Limited. In addition, an Industrial Division of the parent organization has been created and consists of a flour mill and a vegetable oil plant operating in the city of Saskatoon.

For purposes of administration, the province has been divided intosixteen districts. These are each sub-divided into ten or eleven sub-districts, the total number of sub-districts being 166. The members resident in each

sub-district have the privilege of electing annually, by mail ballot, a delegate who will hold office for a period of one year. The 166 delegates thus elected determine in annual or general meeting the general policy of the organization. To become a delegate a member must be a practical farmer.

Following their elections each year, the delegates from eachdistrict select from their number a director for the district. Consequently, the Board consists of sixteen directors, each representing a district of the province. The directors are charged with the responsibility of implementing the policies laid down by the delegates in annual or special meetings. The directors of the parent organization are also the directors of the subsidiary companies.

In addition, there are approximately 1,170 local Wheat Pool committees, (one at each shipping point) composed of members of the organization, who are elected annually at local shareholders meetings, which is about the number of shipping points there are in the province of Saskatchewan.

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These committees deal with local matters and keep their delegates ,directors and management informed of the views with respect to local and general agricultural problems of the membership in their districts.

In addition to that, today there are in existance, 1,165 Saskatchewan Pool elevators and at least one of these is situated within convenient delivery distance of practically every grain farmer in the province, the aim of the organization being to provide co-operative elevator service for every farmer in the province of Saskatchewan.

Saskatchewan Co-Operative Livestock Producers Limited, popularly known as the Livestock Pool, organizes the shipping of livestock from more than 375 shipping points in the province. In addition to that, from about 200 additional points, independent co-operatives ship consistently to the Livestock Pool.

From the preceding outline, therefore, we suggest that Saskatchewan Co-Operative Produders Limited is in a position to represent the views of a large majority of the farmers in the province.

From what I have said we are suggesting that our organization, the Saskatchewan Co-Operative Producers Limited, is in a position to speak with some little degree of responsibility in representing the views of a very large majority of the farmers of Saskatchewan.

Q. This Commission is sitting with respect to the problems of transportation. So is there any general statement you would like to make before proceeding with your brief?

A. If I might,Mr. Chairman, I would like to make a

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very brief statement. Frankly, sir, we do not feel fully qualified to discuss the complex details of the Canadian freight rate structure. I was forcibly reminded of the difficulties in the way of the average layman who tries to deal in detail with the charges for rail transportation of freight, when I re-read, just recently, a Dominion Bureau of Statistics report of some ten years ago, dealing with the index number on railwayfreight rates. That report pointed out that there was probably no pricing problem more complex than that involved in the sale of rail transportation of freight.

It stated that the Canadian freight classification No. 18, issued July, 1929, listed approximately 7,000 descriptions of traffic, any item of which, conceivably, might move from one point to any of thousands and thousands of points on other railroad stations. No simple practice such as that applies. Some rates are given in cents per hundred pounds; some rates are given as the rate per mile; and it pointed out that the freight rates are different for different classes of freight and for different sections of the Dominion. One thing which impressed me was the matter of the filing of new tariffs or supplements to existing tariffs; this process goes on continually.

For example, for the year ending December 31, 1935, the Canadian railways issued and filed with the Board of Transport Commissioners 35,979 freight tariffs or supplements thereto; and for the period November 1, 1904, to December 31, 1935, there were 1,285,656 freight tariffs and supplements filed. And it went on to point out

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that the establishment of new industries, new products, new sources of supply, new forms of competition, tend to maintain that rate structure in a constant state of convulsion. So Iwould say it is practically impossible for the ordinary layman, with the ordinary means of securing information, to deal in any detail with this very very complex question of the Canadian freight rate structure.

I must say, however, that we, in our occupation, have very complete confidence in the personnel of this Commission to make, at least, some headway with the very very difficult problem.

Q. You do not hold yourself out as an expert on freight rates?

A. That is the point. We would endeavour to confine our remarks within the scope of the Commission's first term of reference by outlining some of the disadvantages under which the Saskatchewan farmer labors in relation to rail transportation in the marketing of livestock, for example. And we shall also deal with the problem of the mechanized farmer and the disadvantages imposed on the Saskatchewan farmer by reason of his heavy investment in farm machinery and the effect of freight rates thereon.

Q. You are dealing first, now, in your brief - you have section 1?

A. Yes.

Q. And section 1 discusses the general conditions in Saskatchewan?

A. Yes.

Q. Very well, then, will you please proceed?

A. I think the chairman well knows that Saskatchewan is an area of normally low rainfall which makes farming extremely hazardous in an economic sense.

It is an area of great fluctuation in crop out-turn.

It is an area which must depend to a large degree on export markets, - markets which have alwaysbeen of a variable and capricious nature.

Farm prices in this province, influenced by the uncertainties of crop production in a semi-arid region and by the unpredictability of competitive foreign crops and overseas markets, have fluctuated wildly and violently - no, widely and violently. Wildly might have been right there, - while items of cost such as freight charges have remained fairly rigid. As a result of this uncertainty of both production and of price, farming and living in rural Saskatchewan have often been neither easy nor remunerative. Indeed, large areasof the province have, for extended periods, been forced to live by government relief and out of capital depletion. These factors of uncertain yield and uncertain prices must alwaysbe remembered when considering items of inflexible costsuch as freight charges.

We have set out in our brief a table showing over a period of years the variability of yields, prices and farm income in Saskatchewan.

Q. This table, Mr. Chairman, which is to be found on page 5, gives the wheat yield, the average price of No. 1 Northern wheat basis Fort William, and the bushel per acre for the crop years 1929-30 to 1947-48.

A. That is right.

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Q. And there is a variation in yield from a low of 2.6 to a high of 24.7 in 1942-43.

A. That is right.

Q. And there is a variation in the matter of average price from a low of 54¼ in 1932-33 to a high of $1.75 during the last three years.

A. At the present time, yes.

Q. Now, actually, these prices are prices Fort William.

A. That is right.

Q. And the return to the farmer will be that price less freight.

A. Yes, less freight and less handling charges.

Q. Yes, and for instance, from the city of Regina to Fort William, can you state, offhand, what the freight rate would be?

A. From Regina to Fort William there is a 20 cent freight rate. The freight rate would be 12 cents a bushel, and in addition to that there would be carrying charges.

Q. Now, on the next page, page 6, youhave another table showing "farm income". This is taken from the Dominion Bureau of Statistics?

A. Yes.

Q. And it gives in the first column the years; and in the second column the cash income; and in the last column the net income?

A. Yes.

Q. And that table also shows a fluctuation, the low cash income being in the year 1931, $70,000,000

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and the high was the year 1944 with $543.7 million.

A. That is right.

Q. And in net income, the figures start in 1938 with a net of 26.0 million, which is the low, while the high year was 1948 with 370.0 million; but there was a fluctuation between 1944 and 1945 of net income from 354.8 million to 184.4 million.

A. That is right.

Year	Wheat Yield [1] (bus.per acre)	Average price of [2] 1 Nor. Wheat basis Fort Wm.
1929-30	11.1	124 3/8
1930-31	14.4	64 1/4
1931-32	8.8	59 7/8
1932-33	13.6	54 1/4
1933-34	8.7	68 1/8
1934-35	8.6	81 3/4
1935-36	10.8	84 5/8
1936-37	7.5	122 3/4
1937-38	2.6	131 5/8
1938-39	10.0	65
1939-40	19.1	76 1/2
1940-41	17.1	74
1941-42	12.0	76 5/8
1942-43	24.7	94 3/4
1943-44	15.2	137.1
1944-45	18.3	143.6
1945-46	12.4	175
1946-47	14.6	175
1947-48	12.2	175

1 - Annual Reports, dept.of Agriculture, Saskatchewan

2 - Grain Trade Year Book - Sanford Evans

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FARM INCOME

(Million Dollars)

Year	Cash Income from Sale of Farm Products	Net Income
1929	242.9	
1930	123.7	
1931	70.0	
1932	73.4	
1933	73.4	
1934	91.8	
1935	108.2	
1936	119.0	
1937	82.8	
1938	93.4	26.0
1939	158.1	117.9
1940	150.8	109.2
1941	161.9	103.9
1942	195.8	301.6
1943	327.6	209.6
1944	543.7	354.8
1945	409.6	184.4
1946	387.6	220.7
1947	429.5	259.9
1948	520.6	370.0

(Dominion Bureau of Statistics)

Note_- Net income statistics not available for years prior to 1938.

These figures show that although Saskatchewan farm income has improved in recent years, the following table of wheat yields in crop districts 4 and 7 (Southwestern and West central districs) shows that certain areas have

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not benefitted accordingly. The total cultivated acreage of these two crop districts is 6,314,000 acres, or more than one sixth of thecu ltivated acreage of the province.

Wheat Yields (bushels)

Year	Crop District 4	Crop District 7	All Saskatchewan
1943	5.7	8.6	15.2
1944	4.3	11.8	18.3
1945	4.2	8.4	12.4
1946	9.3	14.1	14.6
1947	9.1	9.1	12.2
1948	5.6	9.9	13.3

Annual Report - Statistics Branch, Provincial Department of Agriculture.

Since we prepared this brief, we realize that the Commission may not be very familiar with what the crop districts are. So w have provided small maps which we are referring to there. In this area of crop districts 4 and 7 in thesouth west and the west of the province the cultivated acreage of those two districts is 6,314,000 acres, or just about one sixth of the total cultivated acreage of thewhole province. According to the last census figure, this particular area includes 6,314,000 acres.

Q. You refer to areas No. 4 and No. 7?

THECHAIRMAN: Q. They represent how much?

A. They represent one sixth of the cultivated area of the province, something like 6,314,000 acres.

Q. This is thewhole cultivated area.

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MR. MacPHERSON: The whole cultivated area.

MR. COVERT: I notice a reference to the chart in the evidence and I think it should be put in as an exhibit.

MR. MacPHERSON: This table which comes on page 7 gives you the actual production from the Provincial Department of Agriculture, in these two districts, for the years 1943 to 1948; and in the whole of Saskatchewan; and in district 4, which is the southwest corner of the province, the production was as low as 4.2 and 4.3 per acre in the years 1944 and 1945. In the whole province the average was 18.3 and 12.4, and likewise, in district 7, which is north of that and also adjoining the Alberta boundary the production was lower than all of Saskatchewan, but not as low as in district 4.

THE WITNESS: That is right.

MR. MacPHERSON: Will you proceed with your brief, please.

THE WITNESS: Approximately onehalf of the cultivated area of the province lies to the west of the third meridian. In considering anything affecting Saskatchewan farm economy the record of assistance rendered under the Prairie Farm Assistance Act since it began operation should be borne in mind. Briefly, the Prairie Farm Assistance Act provides that "assistance may be extended to farmers in the western provinces if an when the extent of agricultural distress of the low yield of wheat per acre in a given area calls for alleviative measures." P.F.A.A. has been in operation during nine years and the following table shows the approximate size

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in Saskatchewan, west of the third meridian which has been affected and the extent of payments.

NUMBER OF TOWNSHIPS RECEIVING PRAIRIE FARM ASSISTANCE BENEFITS IN AREA WEST OF THIRD MERIDIAN

Received benefits during	9 years	8 years	7 years	6 years
No. of Townships	46	177	320	351
Total Size of area (square miles)	1,656	6,372	11,520	12,636

MR. MacPHERSON: Before you go on, under the Prairie Farm Assistance Scheme, all production is taxed a certain percentage on all crops. There is a certain percentage taken, 1 per cent, which is taken, and that forms the basis for the fund that is subsequently disbursed if there is crop failure.

THECHAIRMAN: Is it the whole fund?

MR.MacPHERSON: No. It is supplemented under the Treasury of Canada. The fund is created by a taxation of 1 per cent, which has not been sufficient in any year.

THE CHAIRNAN: You say it is supplemented by Dominion grants?

MR. MacPHERSON: Yes, Mr. Chairman, out of the Dominion Treasury.

The fund thus created by the tax of one per cent has not been sufficient in any year to take care of the demand?

THE CHAIRMAN: Supplemented by Dominion grant.

MR. MacPHERSON: Yes, out of the Dominion treasury.

Q. Now, this table that you put in on page 8 shows in the nine years the number of townships and the number of square miles affected in the eight years, seven years and six years?

A. That is, 46 townships received benefits during each of the nine years the scheme has been in operation, year after year. That is, every year they have received it. 177 townships have received benefits in eight out of the nine years, 320 have received them in seven out of the nine years, and 351 six out of the nine years.

Q. And, generally speaking, those would largely be in those districts 4 and 7 to which we have referred together?

A. Yes, in the area west of the third meridian, largely in districts 4 and 7.

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Q. Will you please proceed withyour brief?

A. The difficultyears of the 1930's brought about a trend toward larger farms throughout the province, particularly in the southwestern area. It became obvious that over much of this region small farms could not be operated economically, and consequently, farming became a large scale, highly mechanized industry, subject to all the risks inherent in a one-crop economy. This is undoubtedly a natural trend, but it brings with it serious problems. Community life, as it was known, has been largely disrupted. Small towns and schools have suffered because of the decline inpopolation. The entire economy depends on a very narrow operating margin and, in considering a matter so vital as freight costs, every consideration should be given to insure that the livelihood of people in these areas is not further endangered.

Q. Now, you go on tosection 2.

A. Yes, dealing with livestock.

Approximately 40 per cent of the total livestock marketings in Saskatchewan last year were handled by the Saskatchewan Livestock Pool. The primary function of the organization is to market livestock economically and to secure the best price possible for the producer. It was of great ooncern to the pool, therefore, when a 21 per cent increase in railway rates and charges was allowed last year by the Board of Transport Commissioners. The effect on the primary producer of these increased charges is demonstrated in the following examples. These are records of actual shipments which took place prior to the increase in charges. The second column has been included to show the effect of the

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increase on similar shipments made today.

Q. In the brief, in the next four pages there are examples given of actual movements.

A. Actual shipments, yes.

Q. These are taken from your own records.

A. Yes.

Q. And they show, for instance, each one shows the old rate, and it shows what is paid with the 21 per cent increase; and it also shows the additional increase charges as well. I do not think we need to refer to them because they speak for themselves. On these four pages there are these examples showing the old rate, showing the increase, and showing the increase in connection with it, but it does not show anything additional, apart from the freight rates.

The chairman asked if this applied to cattle, and the answer was "yes", cattle and hogs." Very well, Mr. Robertson.

A. Example 1. Carlot of 39 cattle shipped from Crane Valley, Sask., to Toronto, Ontario.

Old rate per cwt - $1.09 - Tariff C.T.C. - 448

New rate per cwt - $1.32 - Tariff C.F.A. - 116A

Actual weight for freight 21,430 lbs. (Carlot minimum 20,000 lbs.)

No. stop-overs

	Old Rate		21% increase rate	
Freight Charge on 21,430 lbs.	($1.09 per cwt)	$233.59	($1.32 per cwt)	$282.87
Cleaning of car		.75		.91

	Old Rate	21% Increase rate
Sanding of car	$1.00	$1.21
Diversion	3.00	3.63
(Feed enroute estimate $18.50 Not considered railway charge)		
(Unloading and reloading $7.00. Not considered railway charge)		
Total railway charge	$238.34	$288.62

Increase due to 21% levy - $50.28

Example 2

Carlot of 25 cattle shipped from Greenstreet, Sask. to St.Boniface, Man - 706 miles.

Old rate per cwt - 48 cents - Tariff C.P.R. No.W.9-A

New rate per cwt - 58 cents - Tariff C.P.R.No. W.9-B

Actual weight for freight 26,900 lbs. (Carlot Minimum 20,000 lbs.)

	Old Rate	21% Increase Rate
Freight charge on 26,900 lbs. (48¢ per cwt.)	$129.12	(58¢ per cwt.) $156.02
Cleaning of car	.75	.91
Sanding of car	1.00	1.21
(Feed enroute $12.25. Not considered railway charge)		
(Unloading & Reloading -$3.00 Not considered railway charge.		
Total railway charge	$130.87	$158.14

Increase due to 21% levy - $27.27

Example 3

Carlot of 10 cattle, 47 hogs, 6 sheep, shipped from Main Centre, Sask., to Moose Jaw, Sask - 96 miles.

Old rate per cwt - 17½ cents - C.N.R. No. W 244-C

New rate per cwt - 21 cents - W 244 - C

Actual weight for freight 20,000 lbs. (Carlot minimum 20,000 lbs.) Three stop-overs involved.

	Old Rate	21% Increase Rate
Freight charge on 20,000 lbs. (17½¢ per cwt)	$35.00	(21¢ per cwt.) $42.00
Cleaning of car	.75	.91
Sanding of car	1.00	1.21
Partitions	.50	.61
Stopovers	9.00	10.89
Diversion	3.00	3.63
(Unloading - $1.00. Not considered railway charge)		
Total Railway Charge	$49.25	$59.25

Increase due to 21% levy - $10.00

Example 4

Carlot of 88 hogs shipped from Scotsguard, Sask. to Moose Jaw, Sask. - 171 miles.

Old rate per cwt - 23 cents - C.P.R. Tariff No.W9-A

New rate per cwt - 28 cents - C.P.R. Tariff No.W9-B

Actual weight for freight 17,680 lbs. (Carlot minimum 16,000 lbs.

	Old Rate	21% Increase Rate
Freight charge on 17,680 lbs. (23¢ per cwt)	$40.66	(28¢ per cwt.) $49.50
Cleaning of car	.75	.91
(Unloading - $1.00 not considered railway charge)		
Total Railway charge	$41.41	$50.41

Increase due to 21% levy - $9.00

Example 5:

Carlot of 16 cattle and 45 hogs shipped from Artland, Sask. to Saskatoon, Sask. - 156 miles.

Old rate per cwt - 22 cents - Tariff C.N.R. No.W.244-C

New rate per cwt - 27 cents - Tariff No. 71

Actual weight for freight 22,700 lbs. (Carlot minimum 20,000 lbs.)

Number of Stop-overs - 3.

	Old Rate	21% Increase Rate
Freight charge on 22,700 l s. (22¢ per cwt)	$49.94	(27¢ per cwt) $61.29
Cleaning of car	.75	.91
Partitions	.50	.61
Stopovers - 3	9.00	10.89
(Unloading $1.00, Not considered railway charge)		
Total railway charge	$60.19	$73.70

Increase due to 21% levy - $13.51

At first glance, it may appear that the price increases are not large, especially when related to the individual animal. These charges may reasonably be likened to the depredations of grasshoppers in a crop. Each grasshopper considered by itself may appear to do little damage but a plague of the insects taken collectively may do great harm. Theseapparently minor tariff increases, multiplied many times on all the commodities passing in and out of western Canada have collectively and importance and effect which is not properly realized if an observer considers one article alone.

The true significance of this increase in fixed costs can be better realized if shipping costs are compared to the value of the product transported.

If we consider the history of livestock prices over the past 15 years, the reason why farmers view any increase in shipping costs with special disfavour, become obvious. In the foregoing example of cattle shipped from Green street, Saskatchewan to St. Boniface, Manitoba, (example 2) we will consider the likely or possible value of the animals being shipped.

In that shipment were 25 cattle weighing 26,900 pounds or an average of 1,076 pounds per head.

A"Good" steer weighing 1,075 pounds at St. Boniface would, at average prices applying on such animals during past years, have been worth the following amounts:

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On page 14 you have a table which deals with market value of good steers, and the first column shows the year, the second column shows the price per cwt., the third column shows the market value of a good steer of 1,075 pounds; next, the percentage of value paid in railway charges basis present rate; while the last column shows the percentage of value paid in railway charges before increase, the 21 per cent increase; and there is a fluctuation there from a high percentage, in percentage value, paid for railway . charges of 16 per cent in 1933 down to 3.1 per cent at the present time; and if 21 per cent had not been in effect, it would have been 2.6 per cent.

A. That is right.

Q. And the high would have been 13.3 per cent in 1933.

A. That is right.

Q. Then, on page 15 you have a similar statement in respect of the 1,075 pound medium steer.

A. Yes.

Q. Not the good steer, but a medium steer; and the same technique is adopted, and the percentage varies in the same way. Only the percentage of value is higher.

A. That is right.

Q. Then, if you take the third table on page 16, that has the same technique with a 1,075 pound medium cow; and the same figures apply, excepting that the percentages are higher.

A. Yes, very substantially higher.

Q. Verysubstantially higher. In 1933, for instance,

the value paid in railway charges, basis present rate would have been as high as 37.2 per cent; whereas , on the rates then in force, it actually was 30.8 per cent; and at today's prices, the percentage would be 4.8 per cent as against 4 per cent, which was the percentage on the basis of the old rate before the 21 per cent increase.

A. That is right.

Q. Will you go on, please?

Page 1131 follows

PERCENTAGE OF VALUE PAID IN RAILWAY CHARGES

Year	Price per cwt	Market value of 1,075 lb. "Good" steer	Percentage of value paid in railway charges basis present rate	Percentage of value paid in rly. charges before increase
	$	$	%	%
1948	18.77	201.78	3.1	2.6
1947	13.44	144.48	4.4	3.6
1946	12.05	129.54	4.9	4.0
1945	11.40	122.55	5.2	4.3
1944	11.13	119.64	5.3	4.4
1943	11.09	119.21	5.3	4.4
1942	9.54	102.55	6.2	5.1
1941	8.21	88.25	7.2	5.9
1940	6.92	74.39	8.5	7.0
1939	6.19	66.54	9.5	7.9
1938	5.29	56.86	11.11	9.2
1937	6.25	67.18	9.4	7.8
1936	4.54	48.80	13.0	10.7
1935	5.20	55.90	11.3	9.2
1934	4.16	44.72	14.1	11.7
1933	3.67	39.45	16.0	13.3
1932	4.87	52.35	12.0	10.0

It must be remembered, however, that so-called "good" cattle are not in a majority during years of poor crops when insufficient feed may be available. Suppose the 1,075 pound steer was a "medium" steer the price, value and percentage of railway charges would have been as follows:

PERCENTAGE OF VALUE PAID IN RAILWAY CHARGES

Year	Price per cwt	Market value of 1,075 lb. "Medium" steer	Percentage of value paid in railway charges basis present rate	Percentage of value paid in railway charges before increase
	$	$	%	%
1948	16.24	174.58	3.6	3.0
1947	11.65	125.24	5.0	4.2
1946	10.75	115.56	5.5	4.5
1945	10.00	107.50	5.9	4.9
1944	10.01	107.60	5.9	4.9
1943	10.15	109.11	5.8	4.8
1942	8.64	92.88	6.8	5.6
1941	7.47	80.30	7.9	6.5
1940	6.26	67.29	9.4	7.8
1939	5.39	57.94	10.9	9.0
1938	4.48	48.16	13.1	10.9
1937	4.92	52.89	12.0	9.9
1936	3.71	39.88	15.9	13.1
1935	3.86	41.49	15.2	12.6
1934	2.94	31.60	20.0	16.5
1933	2.67	28.70	22.0	18.2
1932	3.49	37.52	16.8	13.9

Now let us consider the market value of a "Medium" cow, of which large numbers are shipped from Saskatchewan each year:

PERCENTAGE OF VALUE PAID IN RAILWAY CHARGES

Year	Price per cwt	Market value of 1,075 lb. "Medium" cow	Percentage of value paid in railway charges basis present rate	Percentage of value paid in railway charges before increase
	$	$	%	%
1948	12.13	130.40	4.8	4.0
1947	8.85	95.14	6.6	5.5
1946	7.95	85.46	7.4	6.1
1945	7.30	78.47	8.1	6.7
1944	7.13	76.65	8.3	6.8
1943	7.56	81.27	7.8	6.4
1942	6.66	71.59	8.8	7.3
1941	5.05	54.29	11.7	9.6
1940	4.12	44.29	14.3	11.8
1939	3.84	41.28	15.3	12.7
1938	3.06	32.89	19.2	15.9
1937	3.08	33.11	19.1	15.8
1936	2.27	24.40	25.9	21.4
1935	2.30	24.72	25.6	21.1
1934	1.74	18.70	33.8	28.0
1933	1.58	16.98	37.2	30.8
1932	2.06	22.14	28.5	23.6

(Page 1147 follows)

Although we hope for a measure of stability of prices in the the future, we can hardly expect the present values to continue indefinitely. We hope it will not recur but we have no guarantee that the history of 1933 will not be repeated and if it is then this additional 6.4 per cent itself will prove an intolerable burden to farmers in Saskatchewan.

In order to give an indication of the impact of freight charges on the livestock industry of Saskatchewan, we have applied to the tonnages of livestock carried by rail, as given for various years in the Railway Traffic Summaries published by the Dominion Bureau of Statistics, certain freight rates which we feel are representative for Saskatchewan livestock shipments.

1. We have assumed first that all shipments of live cattle exported from the province have been delivered to livestock yards at St. Boniface (Winnipeg) Manitoba. On the basis of the following table, it is evident that this is a reasonable assumption.

ARRIVALS OF SASK. LIVESTOCK AT STOCKYARDS AND PACKING PLANTS

Arrived In	Cattle	Calves	Hogs	Sheep
B. C.	722	-	3	20
Alta.	3,411	221	-	52,069
Sask.	177,264	30,708	272,174	40,238
Man.	160,644	51,783	162,436	2,448
Ontario	4,056	398	119	2,873
Quebec	12,850	1,028	117	-
Maritimes	-	-	-	-

Q In that table you show arrivals of Saskatchewan livestock at stockyards and packing plants, and it shows for the different provinces cattle, calves, hogs and sheep, the arrivals at these particular points. In Saskatchewan the figure for cattle is 177,264, Manitoba 160,644.

A In Manitoba 160,644. The others are negligible.

2. We have assumed that shipments have carried a freight rate in effect from a central point in the province. For example, the livestock freight rate from Stalwart to St. Boniface, prior to April 8, 1948, was 36¢ per cwt., basis carload lots. Stalwart is very close to the exact geographical centre of the province.

3. We have selected the freight charge of 20 cents per cwt., as being representative of the bulk of in-province rail deliveries prior to April 8, 1948. It seems logical to assume that points sufficiently near to Saskatchewan markets to take a freight charge of less than 20 cents per cwt., are points where most livestock marketings occur by truck.

Tonnages of Saskatchewan Livestock moved by Rail to Points outside the Province and Unloadings in Saskatchewan - 1943*

	Exported (Tons)	Unloadings in Saskatchewan (Tons)
Cattle and Calves	81,169	28,695
Sheep	1,036	5,211
Hogs	62,643	64,575
	144,848	98,481

Applying the assumed freight rate of 36¢ per cwt. ($7.20 per ton) to the tonnages of livestock exported,

*Dominion Bureau of Statistics - Railway Traffic Summaries

and the freight rate of 20¢ per cwt. ($4.00 per ton) to the tonnages unloaded in Saskatchewan, we have determined the approximate freight cost as follows:

Export - 144,848 tons at $7.20 per ton (36¢ per cwt)	$ 1,042,905.60
In-province - 98,481 tons at $4.00 per ton (20¢ per cwt)	393,924.00
Total	$ 1,436,829.60

The comparable calculations for subsequent years are as follows:

1944

Export - 195,729 tons at $7.20 (36¢ per cwt)	$ 1,409,248.80
In-province - 123,169 tons at $4.00 (20¢ per cwt)	492,676.00
Total	$ 1,901,924.80

1945

Export - 170,678 tons at $7.20 (36¢ per cwt)	$ 1,228,881.60
In-province - 111,718 tons at $4.00 (20¢ per cwt)	446,872.00
Total	$ 1,675,753.60

1946

Export - 147,008 tons at $7.20 (36¢ per cwt)	$ 1,058,457.60
In-province - 88,801 tons at $4.00 (20¢ per cwt)	355,204.00
Total	$1, 413,661.60

1947

Export - 120,980 tons at $7.20 (36¢ per cwt)	$ 871,056.00
In-province - 66,190 tons at $4.00 (20¢ per cwt)	264,760.00
Total	$1,135,816.00

Assuming that 21% increase had been in effect during all of 1948, the following would have been the result:

1948

Export - 157,969 tons at $8.80 (44¢ per cwt)	$ 1,390,127.20
In-province - 59,711 tons at $4.80 (20¢ per cwt)	286,612.80
Total	$ 1,676,740.00

On the old rate basis the cost of freight would have been:

157,969 tons at $7.20	$ 1,137,376.80
59,711 tons at $4.00	238,844.00
Total	$ 1,376,220.80

Effect of increase - $300,519.20

Q In the first of the above tables, Mr. Robertson, you have taken the tonnages and you have applied the assumptions you deal with there?

A Yes, sir.

Q You work out in the years 1944, 1945, 1946, 1947 and 1948 what the calculations are, and you indicate that the effect of the increase amounts to $300,519.20?

A For that year.

Q That is for that year?

A Yes.

Q All the years are taken from 1944 to 1947, and the result is given for 1948 as if it had been in force for the whole year?

A Yes. These illustrations are probably sufficient to show that on this one aspect of livestock shipping alone, without considering the increase in costs of diversions, stop-overs, cleaning cars, partitions, or any of the other services involved, Saskatchewan farmers are required to pay almost one-third of a million dollars more per year due to the last increase in direct freight charges.

I think we must stress, however, that the direct freight charges referred to above represent only a minor part of the total shipping costs which must be paid by the producer in the marketing of his livestock. Up to the present we have talked only of freight on livestock going to the abattoir or stockyard. We have not touched upon the cost of shipping processed meat and other products from the abattoir to the consumer, a cost which is ultimately charged up against the animal, and which must also be borne by the primary producer. Freight costs on outgoing shipments of livestock products from Saskatchewan and St. Boniface abattoirs are much higher than on those coming in. A ratio of outgoing to incoming freight costs of 4:1 has in the past been estimated as moderate and conservative. If we apply this ratio to the marketings of livestock in a year such as 1948, we find that total freight charges are not limited to the amount of $1,676,740, which we estimate was charged against the actual movement of the live cattle, but actually reach a total figure of approximately $8,000,000 per year. Furthermore, on this basis farmers in Saskatchewan are paying $1,200,000 more each year since the rate increase

on this one segment of their agricultural economy went into effect.

Again I should like to emphasize that the only source from which this large amount of money can come is from the value of the livestock actually shipped.

The dependence of the Saskatchewan Livestock Industry on railway service is very clearly indicated in the following table showing comparative marketings by rail and truck for the provinces in 1947.

Page 1153 follows

MARKETINGS BY RAIL AND TRUCK

CATTLE

Province of Origin	By R.R.	By Truck	% By Truck	By R.R.	By Truck	% By Truck
B.C.	6,744	1,307	16.65	30,089	8,028	21.07
Alberta	90,002	160,106	64.01	109,081	63,088	36.64
Saskatchewan	200,463	78,525	28.15	57,958	32,888	36.20
Manitoba	56,590	49,042	46.43	18,119	40,794	69.24
Ontario	153,689	130,757	45.97	59,726	96,216	61.70
Quebec	11,247	20,064	64.08	5,617	13,557	70.71
New Brunswick	447	-	-	306	4,495	93.63
Nova Scotia	4	-	-	1,135	154	11.95
P.E.I.	29	-	-	1,978	211	9.64
	519,215	439,801	48.86	284,009	259,431	47.74

CALVES

B.C.	724	59	8.15	1,807	528	22.61
Alberta	11,307	23,568	67.58	15,119	37,097	71.04
Saskatchewan	51,596	14,300	21.70	10,910	6,564	37.56
Manitoba	18,756	19,102	50.46	7,852	37,696	82.76
Ontario	77,721	62,085	44.41	36,014	44,313	55.17
Quebec	37,096	54,341	59.43	37,603	69,662	64.94
New Brunswick	5,811	-	-	1,867	8,499	81.99
Nova Scotia	574	-	-	857	843	49.59
P.E.I.	1,945	-	-	3,636	596	14.08
Total	205,530	173,455	45.77	115,665	205,798	64.02

HOGS

B.C.	6	243	97.59	11,585	4,523	28.08
Alberta	158,128	16,538	9.46	537,332	393,224	42.25
Saskatchewan	39,439	27,799	41.34	260,756	106,855	29.07
Manitoba	17,171	29,152	62.93	71,318	191,620	72.88
Ontario	103,820	149,611	59.03	657,825	1180073	64.21
Quebec	46,591	93,905	66.84	177,180	381892	68.31
New Brunswick	257	-	-	14,476	19,214	57.03
Nova Scotia	-	-	-	6,134	401	6.14
P.E.I.	-	-	-	33,990	24,913	42.30
Total	365,412	317,248	46.47	2,302,715		56.53

1,770,596

SHEEP

Province of Origin	TO STOCKYARDS By R.R.	TO STOCKYARDS By Truck	TO STOCKYARDS %By Truck	TO PACKING PLANTS By R.R.	TO PACKING PLANTS By Truck	TO PACKING PLANTS %By Truck
B.C.	1,589	688	30.21	21,909	1,589	6.76
Alberta	35,808	49,144	57.85	151,092	51,468	25.40
Saskatchewan	54,242	17,152	24.02	16,639	12,593	43.08
Manitoba	11,668	10,535	47.45	16,793	38,387	69.57
Ontario	53,996	51,803	48.96	30,503	63,771	67.64
Quebec	63,122	16,574	20.80	40,724	58,325	58.88
New Brunswick	1,370	-	-	7,830	4,225	35.05
Nova Scotia	11	-	-	149	62	29.39
P.E.I.	127	-	-	6,796	863	11.27
Total	221,933	145,896	39.66	292,435	231,283	44.16

28th Annual Market Review,1947,Department of Agriculture.

Q That table is on page 22 of the brief.

THE CHAIRMAN: What page?

MR. MacPHERSON: Page 22. It shows the marketings by rail and truck in the different provinces of Canada. These figures are taken from the 28th Annual Market Review, 1947, of the Department of Agriculture. It will be noted that in Saskatchewan stockyards there were 200,463 shipped to the stockyards by railroads as against 78,525 by truck. The percentage by truck was 28.15 which, apart from British Columbia - which after all is negligible in the matter of deliveries and marketings - is the lowest truck delivery in Canada. The lowest truck delivery was in Saskatchewan?

THE WITNESS: That is right.

MR. MacPHERSON: Q. Then to the packing plants the deliveries are likewise shown by railroad and by truck, and the lowest again is Saskatchewan, eliminating the provinces that have no deliveries of any consequence. That applies as well in the matter of calves, hogs and

sheep.

MR. MacPHERSON: Mr. Chairman, these tables indicate the measure to which livestock is moved by rail in the prairie provinces.

COMMISSIONER INNIS: The truck percentage is very much higher for hogs.

MR. MacPHERSON: In the matter of hogs Dr. Innis says that the table shows a greater delivery by truck than as to the other animals, 41.34 per cent.

THE WITNESS: Even at 41.34 per cent it is still the lowest percentage.

MR. MacPHERSON: It is still the lowest percentage in Canada.

COMMISSIONER INNIS: Lower than Alberta?

MR. MacPHERSON: No, Alberta is 9.46, but it is lower than any of the other provinces.

THE WITNESS: In 1947 the percentage of Saskatchewan cattle and calves marketed by truck at stockyards was lower than for any other province except British Columbia. The volume of cattle marketed at packing plants in this province is comparatively small but much the same situation exists. The large majority of Saskatchewan hogs are sent to packing plants and here again, except for British Columbia and Nova Scotia, where hog marketings were very light, Saskatchewan had the lowest percentage of truck shipments. I do not think any further evidence is necessary to show the extent to which Saskatchewan livestock producers must depend on railway service. We submit that freight charges are a factor comparable in importance with feed and labour costs in

determining the extent to which farmers will maintain livestock production.

Increased charges can have only one effect. Livestock production and marketings will be curtailed in Saskatchewan. To the railways this will mean reduced revenues - to the farmer it will mean being forced further along the road toward a complete wheat economy, a condition which, in our opinion, can only prove disastrous in the long run.

MR. MacPHERSON: Q: Section 3 of your brief deals with farm machinery?

A Yes. Earlier in the submission we mentioned a trend which is taking place in Saskatchewan toward greater farm mechanization. Because of the long distance from centres of heavy industry, freight charges form a large part of the purchase price paid for farm machines. The welfare of the farmer, the railways in western Canada, and to some degree the industrial prosperity of the entire dominion, is directly related to the farmer's ability to obtain machines adequate to the important task of growing field crops. Possibly in no other place in the world is the production of crops more dependent on correct tillage practices than in Saskatchewan. Successful farming here can only be carried out if the farm operator has a large number of machines which, because of their purpose, are expensive to manufacture and heavy to transport. In the following section we have attempted to illustrate in some degree the freight costs involved in replacing the number of certain important farm implements in Saskatchewan today as compared with similar costs in 1931.

COMPARISON OF NUMBERS OF FARM MACHINES
ON SASKATCHEWAN FARMS
1931 - 1946

	1931	1936	1941	1946
Tractors	43,308	42,050	54,129	71,590
Trucks	10,938	10,338	21,285	27,754
Combines	6,019	6,420	11,202	22,499
Threshing Machines	27,046	24,540	21,486	19,935
Gasoline Engines	38,549	39,194	33,882	43,056

(Dominion of Canada - Census)

Page 1155 follows

Q. Now, at the top of page 26 you have a table giving a percentage of the number of farm machines on Saskatchewan farms from 1931 to 1946. In the first column you have the first implement, the tractor. The number in 1931 was 43,308; that has gone up to 71,590. The next item is trucks; that has gone up from 10,938 in 1931 to 27,754. The next are combines, which have gone up from 6,000 in 1931 to 22,500 in 1946?

A. Yes.

Q. Now, that in itself indicates the change of development in mechanized farming on the prairie, the increase in the number of combines from 6,000 to 22,500. Threshing machines, on the other hand, have gone down, 27,046 to 19,935. They are replaced by the combine. Then gasoline engines have increased from 38,000 to 43,000?

A. Yes.

COMMISSIONER INNIS: This is very largely a result of the war. I notice that in many cases it has gone down, 1936 as compared with 1931.

MR. MacPHERSON: They were not available.

THE WITNESS: Economic conditions; we could not buy them.

MR. MacPHERSON: Couldn't get them; the change was taking place, but during the war of course they could not be obtained.

COMMISSIONER INNIS: During the war there was a tremendous increase.

MR. MacPHERSON: From 1936 to 1941, the years

1937, 1938 and 1939 intervened, and 1940, but then from 1941 until the end of the war farm machinery was at a real premium; they just couldn't get it; but there was a tremendous backlog of farm machinery which had been taken up -- 1948, we have not the figures for 1948, and if we had they would be even more illustrative of the continuance of the trend in mechanization when it was possible to pick up this backlog of equipment.

THE WITNESS: These figures do illustrate the point that we were trying to make that there has been a very heavy increase in farm mechanization, and it will be noted that a decline has occurred in recent years in the number of threshing machines and this probably holds true for such implements as horse drawn plows, binders, seeders, disc-harrows, etc. It is also true, however, that the decrease in number of threshing machines has been more than offset by the tremendous increase in numbers of combines, swathers, pick-ups, etc. In addition, where horse drawn tillage equipment has been replaced by tractor drawn equipment, the increase in weight has meant greater freight costs.

Estimates will be given later to show that numbers of farm machines in Saskatchewan are still well below actual requirements. However, in order to give some indication of the tremendous burden of freight costs borne by farmers in the province, let us assume for a moment that by 1946 total requirements of farm machines had been obtained and from that time forward it would be necessary only to maintain the "machinery

strength" by replacing those worn out each year.

In the farm machinery survey carried out during 1945 by J. D. Neilson and M. E. Andal for the Economics Division, Dominion Department of Agriculture the life of various machines in Saskatchewan was estimated as follows -- that is, the period of life under Saskatchewan conditions.

ESTIMATED LIFE OF FARM MACHINES

	Parkland Region	Prairie Region
Tractors	14.5 years	15.1 years
Trucks	15.0 years	15.3 years
Combines	11.1 years	12.2 years
Threshing machines	22.8 years	25.2 years
Binders - Power	14.4 years	15.8 years
Horse drawn	18.4 years	19.6 years
Gasoline Engines	19.9 years	19.0 years

"Farm Machinery Requirements"

J. D. Neilson and M. E. Andal
1945.

Q. You have given a statement here on page 27 as to the estimated life of farm machines, which will be very interesting to Mr. Evans and Mr. O'Donnell.

MR. EVANS: It is to me, indeed.

MR. MacPHERSON: Q. In any event, the list is there, indicating the estimated life of farm machines as you estimated?

A. Yes.

Q. Then go ahead.

A. Using the prairie region estimates, it would be necessary to replace 71,590 tractors every 15.1 years in order to maintain the tractor strength of the province as at 1946.

This works out to an average of 4741.1 per year.

Q. 4741 tractors?

A. Per year. The freight cost per unit on a popular type tractor, weighing 3,747 lbs., and taking the machinery freight rate existing prior to April 8, 1948, from Brantford to Regina, of $1.28 per cwt., (Tariff CFA - 5H), was $47.96.

(Co-op tractor model E-3).

Total freight cost per year for 4741.1 tractors would amount to 4741.1 x $47.96 = $227,383.15. A similar estimate of freight cost per year on the basis of tractors in use in 1931 works out as follows: 2868.1 tractors at $47.96 each = $137,554.07. The mechanization trend in connection with this one commodity had thus increased freight costs to Saskatchewan farmers by approximately $90,000 annually.

Q. Now, just in passing, Mr. Robertson, none of these tractors are manufactured in Saskatchewan?

A. No.

Q. They all come from where?

A. From Eastern Canada, very largely, although some from the States.

THE CHAIRMAN: Q. Which come from the States?

MR. MacPHERSON: Q. Which come from the States?

A. I would have to check to make sure.

THE CHAIRMAN: Q. You do not know what proportion?

A. No; I could get it.

MR. MacPHERSON: I will try to get that, Mr. Chairman. We will get the proportion of these implements

that come from the States and how they are routed coming here.

MR. FRAWLEY: My instructions are that they come almost entirely from the States; there is only one producing centre in Canada, and that is the Cockshutt Company in Brantford.

THE WITNESS: I think we can get that information this afternoon.

MR. MacPHERSON: We will try to get that.

MR. EVANS: Isn't that already in evidence?

MR. MacPHERSON: In any event we will get that information for you.

THE WITNESS: These figures are not presented with any suggestion that they represent the actual freight costs annually on tractors but we believe they are sufficiently accurate to indicate the additional burden which farmers have absorbed due to mechanization. The above estimates are conservative as they represent replacements only, and do not take into account the fact that the number of tractor units on hand in 1946 was still far below actual requirements. Nor do they reflect the result of the 1948 farm machinery rate increase of 21 per cent which makes the present cost per hundred pounds, basis Brantford-Regina, $1.55.

On harvester combines the replacement freight bill would work out roughly as follows:

Year	Number in use	Average Life	Annual Replacement	Freight per Unit	Annual Freight Cost
1946	22,499	12.2 yrs.	1844.2	$95.87	$176,803.45
1931	6,019	12.2 yrs.	493.4	95.87	47,302.25

(Basis Co-op self-propelled, Model S.P.E. - 112, 12 ft. size, weight 7,490 lbs., rate--Brantford-Regina $1.28 per cwt)

Q. Then you set out there what the basis would be?

A. Yes. It works out at nearly four times as much in 1946 as in 1931. There is an item here not referred to in the brief that could well have been included; that is the freight costs on repair parts.

THE CHAIRMAN:Q.Freight costs on what?

A. Repair parts.

MR. MacPHERSON: Q. Repair parts enter it so largely?

A. And that has not been referred to in the brief.

Q. That has not been referred to in the brief, but you cannot consider the farm machinery picture without considering repair parts?

A. Without considering the freight costs on parts, yes.

When we consider the cumulative effect of a similar trend in respect of a large number of other agricultural implements, it becomes evident that freight costs annually account for a large portion of the farmer's income in Saskatchewan. Machinery transportation had always been a major item in farm expenses and, with the 21% increase effective April 8, 1948, has become a substantially greater burden. This burden will increase in future years when the total requirements shown in the following table have been obtained.

In the 1945 farm machinery survey, an estimate was made of future requirements in Saskatchewan as well as mnumbers presently in use. Results obtained regarding the more important machines are as follows:

Machine	Number in Use	Number Required
Tractors	61,164	67,893
Combines	23,939	39,250
Pick-ups	12,661	14,500
Swathers	7,194	13,494
Threshers	25,907	11,053
Power Binders	6,929	15,843
Horse Binders	74,665	37,395
Trucks	26,623	34,515
One-ways	41,181	54,691
Grain seeders	66,929	53,232
Cultivators	34,482	46,394

Q. And then you list the various machines?

A. The same type of machine.

Q. The same type of machine?

A. Yes.

Q. The number in use, for instance, of tractors is 61,000 and the number required is almost 68,000?

A. To complete the program.

Q. And with combines, the number in use is 23,000 and the number required is the very large number of 39,250; and you go right down the list, and you find that there is an increase until you come down to some of these lighter implements you speak of, the horse binder for instance which goes down from 74,000 to 37,000, and

the threshing machines, which have gone down from 25,000 to 11,000.

THE CHAIRMAN: That is from tdisuse, I suppose?

MR. MacPHERSON: Yes, replaced by the combine.

THE WITNESS: With the exception of threshers, horse-drawn binders and grain-seeders, numbers required exceeded numbers in use at the time the survey was made, that is, in 1945. Although many of these requirements have probably been now obtained, it is evident that a high demand for farm implements is likely to exist provided farm prices are maintained at levels which will enable the farmer to secure the necessary equipment. We submit that freight costs on farm machinery are of major influence in determining the welfare of Saskatchewan farmers. If not carefully regulated, these costs may, during times of short crops or poor markets, prove such a burden as will curtail the movement of necessary implements to the farms of Western Canada.

MR. MacPHERSON: Q. Now, you have your conclusions, Mr. Robertson?

A. In the foregoing pages we have attempted to show some of the disadvantages at which the Saskatchewan farmer finds himself in the transportation of his produce to market. In addition, we have endeavoured to give an indication of the high freight costs he faces in obtaining farm equipment.

The chief problem of the Saskatchewan farmer through the years has been the difficult, and sometimes impossible, task of balancing fixed costs against

fluctuating income. He experienced years at a time when the market value of his products was less than the cost of production. During that period fixed costs remained high and their pressure finally crushed the structure on which his economy was based, and plunged him into a sea of debt from which he is only now recovering. One of these fixed costs was freight charges. Past experience in this province has proven that fixed charges which may appear reasonable when price levels are high become excessive and are a great burden on the economy when price levels fall.

The question of whether or not the railways require further revenues has not been argued in this brief. We have confined our argument to a presentation of the farmer's viewpoint and an outline of his transportation problems. We submit that on the long-term basis,-the only fair basis upon which judgment can be given,-the farmer in Saskatchewan is unable to carry any further burden of these costs.

The economic and geographic problems of our Saskatchewan economy as related to transportation services bear repeating. The welfare of almost everyone who earns his livelihood within the province is directly dependent on the basic industry of agriculture. We often say that something like two-thirds of the people of this province live on farms and the other third live by providing the services for these two-thirds. This industry is constantly faced with the hazards common to a semi-arid region. Production is almost entirely dependent upon natural conditions. That is, we have

no irrigation of any consequence or anything of that sort. Local markets are insignificant due to a sparse population and national markets are at best limited. Much of our production must be placed on the export market, a market which is highly competitive and very definitely unpredictable.

THE CHAIRMAN: Did you say that there was no irrigation?

MR. MacPHERSON: Practically none.

THE WITNESS: Very limited irrigation.

MR. MacPHERSON: There is a little in the "Fill-the-Gap" area we heard about yesterday at Val Marie, and that is about the only irrigation project there is.

THE WITNESS: Of consequence.

MR. MacPHERSON: Of any consequence.

MR. FRAWLEY: How many acres approximately would you say?

MR. MacPHERSON: I think Mr. Dudragne told us yesterday there was 8,000 acres in one project and 4,000 in the second project that was being brought in. It was very infinitesimal.

THE WITNESS: Yes. The point to remember is that in the province of Saskatchewan we have approximately 33,000,000 acres of cultivated land, so that the amount of irrigated land is insignificant in comparison.

Geographically, Saskatchewan is at a serious disadvantage. On the one hand she has only a relatively few miles of all-weather roads, she has no water transportation and she is a long distance from the seaboard. On the other hand, she is required to ship vast

quantities of her production in the raw state. The movement of raw materials is invariably an expensive proposition, especially when the nearest waterway is nearly a thousand miles distant.

The consequences of a heavy burden of fixed charges during a period of low income were outlined in the opening section of this brief.

MR. MacPHERSON: Q. Of fixed charges generally?

A. Of fixed charges generally.

Q. That includes freight charges?

A. Including freight charges. During the 1930's low yields and low prices forced hundreds of families in the marginal districts from their homes and farms. A readjustment began which has not yet been completed. Population became smaller and size of farms was increased in an attempt to operate them more economically. Community life practically disappeared and merchants in small towns closed their stores. Hospitals were closed and doctors, teachers and welfare workers moved to larger urban centres. People who remained in these areas have, in many cases, been forced to live in practical isolation and even yet their livelihood is very far from secure.

THE CHAIRMAN: Q. Pardon me a moment. Has there been no what you call readjustment?

A. The readjustment is in process of taking place, sir.

Q. Were those who returned the same people who had left?

A. A considerable number of the people who moved north moved back south, a considerable number.

Q. More than there were newcomers?

A. The population remained smaller, of course.

Q. No, but I say there were more people moved than there were newcomers?

A. Yes, than there were newcomers who came in, that is right.

MR. MacPHERSON: Q. Once an open plain farmer, it is difficult to become a bush-farmer?

A. Yes. In these marginal areas, low crop yields have required the strictest type of farming economy and, with present high costs, the operating margin is dangerously narrow. Hence, if farming operations are to be continued over a very considerable area of the province, fixed charges such as railway freight rates must be maintained at the lowest possible level. Because of the large percentage of its total production which enters into Canadian export trade, we beli ve that the agricultural welfare of Saskatchewan is of vital importance to the economy of the entire Dominion. Certainly it is to the railways, who are always among the first to suffer when purchasing power of the Saskatchewan farmer declines.

The Saskatchewan Wheat Pool has always believed that a sound economic structure within the province could only be obtained through greater diversification of agricultural production and the establishment of certain types of secondary industry. This has been the aim of the Wheat Pool Organization as evidenced in its own development during recent years. We submit that high transportation costs are a major factor in discouraging diversified farming development and the growth of

secondary industry.

Over the years, through organizations like our own, Saskatchewan farmers have endeavoured to establish a degree of stability in their industry and to maintain a reasonable standard of living in farm homes. This has called for unceasing effort on their part. We are still a long way from that degree of security and stability which is essential to a prosperous agriculture. A prosperous, stable agricultural economy in Saskatchewan is essential to the welfare of people in all parts of the Dominion.

We submit, therefore, that the whole freight structure should be considered from the point of view of the disadvantages under which Saskatchewan agriculture labours by reason of:

(1) its geographic position

(2) its utter dependence upon railway haul, without any practical competitive alternative

(3) its particular interest to the general and economic well-being of Canada, because of its huge annual exportable surplus.

Thank you.

MR. MacPHERSON: Thank you, Mr. Robertson. Your witness, Mr. Covert.

EXAMINED BY MR. COVERT

Q. Mr. Robertson, on pages 14, 15 and 16, it seems to me that the tables there indicate that the freight is a smaller factor percentagewise now than it was in the earlier years; there is a steady decrease in the percentage?

A. As the value of the animal has increased, of course.

Q. What you are really afraid of is that that percentage will increase when the price of the product goes down?

A. Yes.

Q. Now, what I would like to know is, are you suggesting that there should be a rate that fluctuates with the price of the product?

A. No; what we would like to see is a rate which could be established which we could pay for under all of the conditions that we outline. We have taken fifteen years here. That is a pretty fair spell upon which we can base it. Now, let us take the high, let us take the low, and let us work out some rate at which we could pay under any and all circumstances. That is all we are suggesting. We are merely using these figures to show the variation, the very great variation, that takes place in Saskatchewan farm implements.

Q. Well, if that rate that you so arrived at meant a loss of revenue to the railways, because presumably their costs rise in periods of inflation -- if it meant a loss, have you any suggestions as to how that should be made up? Are you suggesting that there be subsidies or ---

A. No, sir, we are not suggesting subsidies at this stage on any of these matters. We feel that if a proper equalization of freight rates can be worked out -- and, frankly, we do not know how to work them out -- if they could be worked out and levied equitably over all of the Dominion of Canada, surely we could secure a structure which will enable the railways to continue to function and enable us to pay the necessary tolls.

THE CHAIRMAN: Q. You have in mind rates that would not change with the fluctuations in value of these products?

A. That is our point of view, yes, an average rate. We hope to work out some degree of stability in prices. We are getting there gradually.

Q. You are getting what?

A. Stability in prices of farm products. We are gradually getting into a more stable condition, and we would like to know what these rates are.

MR. COVERT: Q. You would like a fixed rate that you think could be borne by the industry in the good years and the bad?

A. That is it.

Q. And one that would not fluctuate with the railway costs?

A. Yes, that is right, if possible.

THE CHAIRMAN: Q. Well, how would the good years support the bad in the industry?

A. I think all industry works out on an average basis, sir.

Q. Including farming?

A. In certain areas of Saskatchewan farming, yes. That is, if reserves are set up in the good years to meet the difficult years, then I think it could be worked out on an average basis. We have had a most remarkable degree of stability in prices.

Q. That is, you think that organizations such as yours would help to work these out?

A. We think we could be of some value, because of our very large membership and our close connection with the matter; we might be able to help work it out.

CROSS-EXAMINED BY MR. FRAWLEY

Q. Mr. Robertson, would you please look at page 22, your marketings by rail and truck. Now, you notice in connection with cattle marketings to stockyards that there is a remarkable difference between Alberta and Saskatchewan. In Alberta 64 per cent of livestock to stockyards moves by truck, and only 28 per cent in Saskatchewan moves to stockyards by truck. Are the rates governing the movement of livestock to stockyards in Saskatchewan governed by the provincial machinery?

A. I think the explanation of that position, Mr. Frawley, would be rather that the large ranching area, the large cattle area, lies fairly adjacent to the stockyards in Calgary and in Edmonton, and you would not have the long hauls that we would have in the province of Saskatchewan.

Q. That would be true in the south with Calgary, but would it be so true in Edmonton?

A. Not so true, but it would be particularly true in Calgary.

Q. Well, there is that explanation, but will you tell me whether or not the fact that in Alberta there is no regulation of the trucking rates at all, and in Saskatchewan there is some regulation, would have anything to do with it?

A. We would not think so, Mr. Frawley. We think it is a geographical thing. It is just the location of

the stockyards to the livestock producing areas. You see, we have no large ranching areas. Down in the southwest, Maple Creek, there is a considerable amount of ranching, but the percentage of our livestock that comes from the ranches is very small as compared to our total livestock production. Our half-section and three-quarter section farms are devoted mostly to grain.

Q. Maybe you don't know, but can you answer the question as to whether the regulation of trucking rates in Saskatchewan applies to farm produce?

A. I am sorry, I don't know.

Q. Because there was, I think, a witness the other day who told us -- I am not clear about it.

A. I am sorry, I don't know.

MR. MacPHERSON: It certainly does not apply to a farmer's livestock moved by himself.

THE WITNESS: No, not in his own truck.

MR. FRAWLEY: Q. No, not in his own truck, Is that the only exception to the regulation of rates by truck?

A. I wouldn't know, Mr. Frawley.

MR. O'DONNELL: Mr. Chairman, we had the advantage of having some information from Mr. Robertson two years ago, and I would respectfully direct the attention of the Board to volume 758 of the transcript in the 21% case, at pages 7437 to 7519.

MR. MacPHERSON: Mr. Chairman, there is a point that I wish to raise in respect to this line of examination. Twice in the course of this hearing with

other witnesses it has been raised, and now apparently it is being raised with Mr. Robertson. It is true that Mr. Robertson gave evidence before the Board of Transport Commissioners in the 30% case, and he has also given evidence here today. Now, there are two points which I wish to make in connection with it. First of all, so far as our approach is concerned, in no sense is this hearing before this Commission any appeal from a decision of the Board of Transport in the 30% case; neither in effect nor in fact is it an appeal in that way, and consequently references to the evidence taken before, I submit, are not really in point unless they are intended to help the Commission in connection with this particular case.

But there is the other angle. There has been the suggestion in the cross-examination of other witnesses that the matters on which witnesses gave evidence were considered by the Board of Transport and disregarded by the Board of Transport, and consequently that there should be a discounting of the evidence as given before this Commission.

Now, what I want to point out to this Commission is this, that the Board of Transport is an administrative tribunal, and we argued before it that the principle of stare decisis did not apply so far as this is concerned, but yet it has built up its own body of legal principles, its own jurisprudence and it is a creature of statute, and in so far as it was concerned it felt that in passing on what was undue preference and what was undue discrimination it was bound by the statute, bound by the sections

of the Railway Act and that there were features dealing with geography and economic considerations which it might not properly consider.

Now, we are before this Commission, and this evidence is being given for this purpose, where this Commission is not fettered, not shackled, by any section of any Railway Act or anything of that nature. It has before it the terms of 6033, the Order in Council, and I am really not anticipating, but I want to make clear the position we take, that if witnesses give evidence here any reference to evidence they have given before should not be made for the purpose of discounting in any way any evidence that was given then, with a suggestion that the evidence they gave was discredited or was discarded by the Board of Transport. We are now before a tribunal that is not fettered; we are now before a tribunal that is not the creature of statute in the sense that the Board of Transport was, and these matters are applicable at the proper stage, we will urge, but I want to make clear that my position certainly is that in no sense whatever do we come before you by way of appeal from the decision of the Board of Transport, and these references to witnesses who have given evidence before and come and give evidence here, that evidence should be considered and must be considered in the light of the powers of this Commission as against the powers of the Board of Transport, and there is to be no discrediting or discounting because of the fact that evidence was given before.

MR. FRAWLEY: I regard the point,raised by my friend Mr. MacPherson as very vital, and I desire to

associate myself with him on behalf of the province of Alberta. You see the ridiculous position in which the contention of my friend would place us. It is quite true that in the 30% case we did place before the Board of Transport Commissioners all of the so-called economic and geographical disadvantages, and what we regard as our grievances as to the freight rate structure. We did that; we did it over a period of many weeks. It is quite true that in this court room the Board of Transport Commissioners heard some of the grievances which this man has now placed before us. I may add to that that when you come to Alberta you will hear in the same court room many of the same grievances which were put before the Board of Transport Commissioners at that time.

(Page 1175 follows)

Now, whether we were right or wrong at that time, we were told by the Board that we were wrong. We were told by the Board that it was a revenue case.

I would like to direct the attention of the Cpmmission to page 45 of the Board's report:

> "It is, of course, obvious that these matters would require to be very fully explored in a separate investigation involving much study and most complete evidence from all interested parties. There would require, among other things, to be special surveys made of actual traffic movements in various regions as well as with respect to railway operating costs in such regions. While many of the subjects presented in this case have been considered and dealt with in the past, it may be that since that time, which was many years ago, there have been such changes with respect to some of these matters that upon further investigation it would be found that there should be some changes made in the rate structure along the lines suggested in what was put before the Board.
>
> It was frequently indicated during the course of this case that this was not a general freight rates investigation and so recognized in many of the submission at the regional hearings which requested or suggested that such an investigation should be instituted by the Board."

In short, the Board refused to give effect to these regional discriminations, because they did grant a horizontal increase because it was one of the things we objected to so strenuously.

Now we are before a Royal Commission which has wide powers of investigation and we now permitted properly to bring before this body these grievances and disadvantages which we were told by the Board we had very improperly placed before them; so now it is not material that word for word this Commission should hear these same grievances because now they are germane to this inquiry except that we did what the Board said, as to their not being germane to the 30 per cent case. We regard it as our right and obligation to place before the Commission these same grievances which we placed before the Transport Board in the 30 per cent case. Thus the Commission will not be surprised if they hear in Alberta some of the same matters which they heard about in the 30 per cent case.

One was that of it being a revenue case, and that we are not relevant. The other is that the Royal Commission is set up for the very purpose of hearing and reporting on these very grievances.

THE CHAIRMAN: Mr. Shepard.

MR. SHEPARD: I should like to add a word to associate myself with the words of my learned friends, Mr. Frawley and Mr. MacPherson. I think what they have said relative to the difference in the jurisdiction of the Board in the previous 20 per cent rate case and the jurisdiction of this Commission is apparent and I want to associate myself with their remarks.

THE CHAIRMAN: I think that the duties with which the Transport Board is vested have been recorded several times already; and I think those duties have been properly indicated both by Mr. MacPherson, Mr. Frawley, and

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your yourself. We are doing what the order in council directs us to do. We are examining evidence to show that in certain sections of this country there are economic disadvantages, there are geographic disadvantages, and there are others which feel particularly the effect of anomalies in freight rates and other transportation difficulties; and we are asked to see whether we can make recommendations which would remedy such a condition of affairs. The subject is so extensive that we are to go into everything pertaining to transportation in Canada which is within the jurisdiction of the parliament of Canada. I am referring to the economic features of transportation. I did not understand that Mr. O'Donnell intended to challenge that.

MR. O'DONNELL: Not at all, Mr. Chairman. I did not want to intervene.

THE CHAIRMAN: Mr. MacPherson was anticipating.

MR. O'DONNELL: He was unduly nervous. I prefaced my remarks to Mr. Robertson by saying that we had had the advantage of having information from Mr. Robertson two years ago concerning certain matters. I did not question what Mr. Robertson said. I was just trying to shorten what he might have to say by making reference to the volume of the evidence in which the commission might find a lot of information on the increases of farm machinery and its life expectancy, and so on, which I did not intend to go into again. We are not at cross purposes. I am happy to have had the benefit of Mr. Robertson's help and I was merely directing the attention of the Commission to it.

MR. MacPHERSON: I anticipated, and for a reason. There were two other instances, one in the examination of a

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coal mining witness, when it appeared to me that the implication did arise, an endeavor to brush the witness off. But so far as we are concerned, I want our position made clear: That we are not here by way of appeal from the Board of Transport Commissioners in any sense; but that we are here, and all these matters are germane, all are material. The evidence is relevant and the evidence should not be discounted or discredited in any way because a witness gave evidence before the Board of Transport Commissioners, and the Board of Transport Commissioners, because it felt that its jurisdiction was bound by the Railway Act, did not pay attention to what wa s said.

THE CHAIRMAN: The fact that certain evidence may not be considered relevant for the purposes of the Board of Transport Commissioners does not mean that the same evidence is not relevant to us.

MR. O'DONNELL: We are all in agreement as to that. I am invoking the evidence of Mr. Robertson; I am not discounting it.

THE CHAIRMAN: You think the evidence he gave then supplements the evidence he gives now?

MR. O'DONNELL: Yes, Mr. chairman, and he gave a lot of detailed information of the effect which he thought increases would have on farm machinery. That is all I record and there is no use going over it twice.

MR. O'DONNELL: Q. Now, neither of us, Mr. Robertson, is an expert on freight rates, but I think we can both agree that no matter what may be said one way or the other about the freight rate structure, Saskatchewan has certainly grown and prospered, and its present prosperity

has been achieved under the present freight rate structure which has been in force for a considerable number of years.

A. There are other ways you might put it, such as: In spite of it.

Q. All right; and the prosperity has been such that the provincial treasurer reports, according to exhibit 6, page 4;

"The past year - (speaking of 1948) - was one of great economic development for Canada, one in which all previous records for production and employment were exceeded.....Cash income from the sale of farm products during the twelve months ending June last amounted to $2¼ billion, the highest ever recorded. In spite of poor crops in a large area of western Canada and a sharp drop in the average prices of certain grains farm purchasing power continued throughout the year at a high level:
The situation in the province of Saskatchewan during 1948 reflected the prevalent conditions across Canada. The high level of productivity andemployment which has characterized the post-war years to date was maintained most areas of activity, and in some, surpassed. The continuing upward trend in the prices of consumer and producer goods nullified to some extent the increase in average earnings;recorded; but, by and large, conditions were buoyant !

On all that, I take it, Mr. Robertson, we can agree. Youaachieved that end in spite of the present rate structure. That is right, is it not?

A. That is pretty obvious, yes.

Q. Before I go on to my next question, I would like you to agree with this: That during all this period of time the freight rate structure, as it existed prior to April 8th, 1948, had been virtually the same for 27 odd years. Is that correct?

A. Yes.

Q. And that during all that time the freight rate on grain, for instance, had not gone up.

A. How many years ago, sir?

Q. Twenty seven years. I think, infact, it had gone down in the interval in 1925.

A. It got pretty close.

Q. Yes, about 40 per cent.

A. It had also gone up very substantially before.

Q. Yes; but in 1925 it had gone down 40 per cent.

A. Yes.

Q. And likewise, livestock rates; and with the grain rates, as re-established in 1925, they were not all they were, roughly, in 1898.

A. That is right.

Q. And furthermore, the fact that the railways carried on under, and still do carry on, under those rates at the present time.

A. You are talking about export rates.

Q. The grain rates, yes.

A. That is correct.

Q. And livestock, and livestock products and packing house products were carried by the railways at the 1918 rates. That also is correct, is it not?

A. That is correct.

Q. So that, in so far as stability is concerned, you knew where you were in respect to grain rates and livestock rates during the period I have referred to?

A. We had a pretty violent fluctuation between June 1918 and July 1922.

Q. Yes, you have put it on the record; and there were additional concessions made by the railways in 1921 and 1922, you remember that, and even in later years.

A. Yes.

Q. Now, at page 23 of your brief, you say:

"We submit that freight charges are a factor comparable in importance with feed and labor costs in determining the extent to which farmers will maintain livestock production."

Feed and labor are very important items, as well as freight rates, are they not?

A. We agree to that, sir, yes.

Q. Could you give the Commission any idea of what the tonnage, in the case of feed, had been, let us say, since even 1938, 1939, or has been since then?

A. Feed grain subsidies have been increased very substantially.

Q. Much more, percentagewise than the freight rate?

A. Twenty one per cent is pretty stiff.

Q. And the feed costs were severe, were they not, just between you and me?

A. A. I cannot recall offhand just what.

Q. Would it be 50, 60, 70 or 80?

A. It is over 21 per cent.

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Q. Yes, and in some cases as high as 100 per cent.

A. Probably; but they probably would not be as high in 1937.

Q. You can take 1938 or 1937, it doesn't matter to me.

MR. MacPherson: I think the witness should be allowed to explain, because there is a very definite reason. The witness started to explain the situation in 1937 in this province, which, in itself, is indicative of the whole problem we have here.

MR. O'DONNELL: I picked 1937, 1938, 1939; I do not mind. Remember, that the freight rates have increased far far less than those other items of cost. That is all I wanted.

MR. O'DONNELL: Q. Now, your labor costs have likewise increased very considerably.

A. Very substantially.

Q. As much, as 100 per cent, possibly.

A. I would think so, yes.

Q. And to that extent, freight is not quite as important as feed and labor on the increase in the cost of these items?

A. No, because the value of the live animal has increased proportionately, that is, the market value.

Q. Because there was no increase in the freight rate what did the farmers do? They had to increase the cost of their product?

A. A lot of them had to borrow money.

Q. Oh yes; a lot of them had to borrow money.

A. They, themselves, had very little to say about it.

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Q. According to your table at page 14, there has been a very definite rise in the cost of the product. There you give examples of the "good" steer, and you show how much that has increased; and the example you give at page 10, example 2, the 21 per cent increase at the bottom of page 10, your increase there is $27.27.

A. That is right.

Q. And that is on a shipment of 25 cattle.

A. That is right.

Q. $1.09 per steer, roughly.

A. That is right.

Q. And in the meantime while the freight rate which was first increased in 27 odd years was the$1.09 the fluctuation in the price of the steer as between even your immediately preceding one you use in the example, was $57.30.

A. That is right.

Q. And in 1948 your steer was $201.78; and in 1947, it is $144.48.

A. That is right.

Q. And if you go back to the last year of the table on page 14, which is 1932, the fluctuation in the price of the steer is $149.43. In the meantime, the freight was constant and did not alter in all those years; and when it did change in 1948 it was only $109.

A. That is right. I was going to suggest this: You remember the old story when we were shipping carloads of cattle we had to ship another car in order to paythe freight.

Q. That is right. Over the years things worked themselves out; but over the years your economy has been

such that today you are in a far better position than you have ever been.

A. There is not a shred of doubt about it, that we are in a much better position; and if we could maintain it we would be happy.

Q. So youwould be willing to allow to the railways that which you would have to take on to yourself, that is an increase in the sale of your product without raising the cost, to a fairlyhigher price?

A. Yes.

Q. I think you suggested to the Commission that you thought rates could be worked,out which would not change.

A. Reasonably.

Q. Isn't that, in fact, exactly what you had during 27 odd years; the rates did not change at all, did they?

A. No, sir.

Q. Now, while you think you would like rates of that kind, if they can be worked out, you do know that, under the Railway Act, the Board of Transport Commissioners has continuing control over rates.

A. That is right.

Q. And you say at the bottom of page 30:

"If not carefully regulated, these costs may, during times of short crops or poor markets, prove such a burden as will curtail the movement of necessary implements to the farms of western Canada."

Now, as and when that might occur, is it not your thought that with the continuing control which the Board of Transport Commissioners has over rates, it is in a position

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to effect the changes or adjustments whichare necessary.

A. It is a difficult thing to decide. You will remember the Order in Council of 1925.

Q. Yes.

A. Where the recommendation was made by the Railway Committee of the Privy Council. They pointed out that the development; of western Canada, the growing provinces of the west, on which development the future of Canada largely depended, had pointed out that it was desirable that the maximum cost of transportation of the particular products we were talking about a moment ago should be determined and known. That was the general attitude taken by the Railway Committee of the Privy Council at that time, that it was in the national interests and in the interests of western Canada that these rates should be determined and known. It is a personal opinion only, but I think that was a pretty sound line of reasoning.

Q. Yes; and for 27 years they were known because there was no change in them. Now I ask you if you have any suggestions to make to the Commission as to recommendations which they mightmake which would alter the present position which, as I understand it, is: That the Board of Transport Commissioners has a continuing control over rate matters and that they may adjust them from time to time.

A. One of the problems - and I do not know whether there is an anwwer to it. Probably there is not. But one of the problems is that in one year, over 9,000 freight tariffs and supplements were filed. That is a terrific job. Who knows what the freight tariffs in Canada are? I do not know.

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THECHAIRMAN: Q. What do you suggest?

A. There must be some s degree of stability somewhere. It sounds like "regulation run riot", so to speak.

MR. O'DONNELL: Q. It is not everybody who is interested in any particular rate; and when that rate changes, you know it very quickly.

A. Yes.

Q. So everyone is in the same relative position as you are.

A. But in the wider agricultural field, nearly all of these rates have a bearing on the agricultural life of the province.

Q. Yes. And every time the railwayscarry you at less than a fair rate, that has an effect on the railways.

A. That is right. We have nothing against the railways.

Q. You have said that they give excellent service.

A. We have no complaint of any kind at all.

A. At page 68 of the judgment of the Chief Commissioner in the 21 per cent case appears the following paragraph which I will read to you and ask you, if, in the light of what is said there, you have any suggestions to make whereby this Commission might recommend a change in the situation:

"The Railway companies subject to the jurisdiction of the Board will be required to continue to furnish to the Board monthly statements of their operating revenue, operating expenses, and operating income and should the Board,at any time, be of opinion that a greater amount of money is being paid to the railway

companies than is actually necessary to enable them to maintain a reasonable degree of operating efficiency, the Board reserves the right at any time, on notice, to readjust the rates to meet the conditions then existing. On the other hand, should the amount of advance in rates authorized, prove to be insufficient, the railways can always apply again. The Board will remain seized of these proceedings."

Page 1195 follows

In the light of that have you any suggestion which would provide a more adequate way of controlling rates, and which would afford the flexibility that there has to be in this busy business world whereby rates have to be made from day to day, and possibly changed on the next day to meet changing conditions?

MR. MacPHERSON: Mr. Chairman, I think that is an unfair question to put to the witness. This is a part of a judgment of a board, and he is asking the witness to consider the judgment of the Board of Transport Commissioners. As read by my friend, and simple as it may appear, there are two words involved in it that ordinarily - and I would so argue - make it not as simple as my friend would suggest in putting the question. Here is the judgment:

> "The Board reserves the right at any time on notice to readjust rates to meet conditions then existing."

I emphasize the words "on notice". I submit that this witness does not profess to be, and has made it clear that he is not here as a freight expert, or as a legal expert on judgments. There are those two words in the passage, and I suggest that the implication of them, the manner of them, and the inquiry that might result as a consequence of them being there, and the length of that inquiry, make the question not at all the simple proposition that my friend suggests in putting it to the witness. I suggest it is not a fair question.

THE CHAIRMAN: You are dealing now with something that might be termed the weight of the evidence.

The evidence Mr. Robertson can give can be supplemented, of course, for our purposes.

MR. MacPHERSON: My only point is that he is not an expert in that sense, as he has said.

THE CHAIRMAN: We will bear all that in mind.

MR. MacPHERSON: Even then you would have to consider the format and the verbiage used.

THE CHAIRMAN: Yes. All these things are being taken subject to due consideration of the conditions under which references to these judgments, and so on, are made. It may be, Mr. O'Donnell, that some of the evidence you are extracting now really is not of final import to us at all.

MR. O'DONNELL: I agree, quite. I am fishing for suggestions.

THE CHAIRMAN: I do not want to stop you on anything that you may think is of some use. Go ahead.

MR. O'DONNELL: The witness has said at page 30 of his brief:

"If not carefully regulated" -- and he is referring to freight costs --

> "these costs may, during times of short crops or poor markets, prove such a burden as will curtail the movement of necessary implements to the farms of western Canada."

I have pointed to what I think is a fair summary of the situation, and I have asked if he has any suggestion as to how they could be more carefully regulated than they are.

THE CHAIRMAN: You referred to this judgment.

The words "on notice" involve a certain procedure.

MR. MacPHERSON: That is right.

MR. O'DONNELL: There has to be a procedure in any event, no matter what you do. There is nothing sinister in my question.

THE CHAIRMAN: No, but we cannot expect Mr. Robertson to be familiar with all the tortuous implications of these judgments.

MR. O'DONNELL: I am not expecting that. In his brief I find that he says that rates are not now carefully regulated. All I am saying is that in my submission I think they are regulated carefully. On the other hand, if he has any suggestions as to how they might otherwise be handled, it occurred to me that the Commission might be interested in hearing what they were.

THE CHAIRMAN: In the meantime I think he would have to have the advantage of expert advice.

MR. MacPHERSON: I am not suggesting there is anything sinister in what my friend has asked. He is the most guileless gentleman I know, but at the same time I am suggesting that under the circumstances Mr. Robertson is not qualified to answer such a question.

THE CHAIRMAN: There is a certain amount of time being taken up now that perhaps might be more usefully consumed, but after all your question is relevant.

MR. O'DONNELL: Certainly. It goes directly to the words in the brief. All I say is that Mr. Robertson, in conjunction with someone else, wrote that brief and put those words there, and I am asking if the manner of regulation as it presently prevails is not sufficient. If

not, I am asking if he has any other suggestion which would make it more adequate.

THE CHAIRMAN: Well, he has none of his own.

MR. O'DONNELL: Q. You have none?

A I have none at the moment.

Q Fine. Then in the closing paragraph on the last page of your brief you say:

"We submit, therefore, that the whole freight structure should be considered", and getting it down to your own particular interests you say from the point of view of Saskatchewan?

A Yes.

Q "The disadvantages under which Saskatchewan agriculture labours"?

A Yes.

Q When you say the whole structure should be reviewed do you have ideas as to the equalization of rates?

A In the back of our minds we have some idea that there might be a good deal of equalization worked out, but we are not prepared to submit any details.

Q I think that is what you said at the beginning of your statement?

A Yes.

Q And as to equalization does your thinking carry you to the extent that you would wish the entire rate structure to be reviewed?

A Our idea there --

Q And all the commodities carried under it?

A That is wherever these various types of rates differ for various conditions, some geographic and some

competitive and that sort of thing. We do think there is room where you have those discrepancies, and they do exist. You know much better than I do that they exist.

Q Well, I don't know much.

A We think that they should be looked at in an effort to make sure that the difference is actually accounted for.

Q I am trying to find out what the whole freight structure means.

THE CHAIRMAN: He says what it means here. He says:

> "....that the whole freight structure should be considered from the point of view of the disadvantages under which Saskatchewan agriculture labours."

It is so much of it as pertains to Saskatchewan agriculture. That is what Mr. Robertson has in mind.

MR. O'DONNELL: Q. Then with respect to Saskatchewan agriculture does the review which you suggest take into consideration the grain rates, for instance?

A As far as I know the question of grain rates has not been raised.

Q I noticed it had not. It has been very carefully avoided by everybody, and I am asking you --

THE CHAIRMAN: Q. You are not raising it?

A I am not raising it, no.

MR. MacPHERSON: If you want to raise it we will deal with that in due course.

MR. O'DONNELL: Q. I am asking whether you have any views on that. When the Commission is asked to

consider the whole freight structure are those rates to be considered?

A If the question of grain rates is raised then of course we will probably like to be heard on the matter, but there has been no indication that anybody is anything but well satisfied, either the railway companies or the producers.

MR. O'DONNELL: Thank you, Mr. Robertson.

CROSS-EXAMINATION by MR. EVANS

Q Have you any figures to show me what proportion of the value of all kinds of production in Saskatchewan is represented by grain and grain products moving at the Crowsnest Pass rates?

A That is the percentage of the total production?

Q Of the total value of production, or average, or any way you like?

MR. MacPHERSON: You mean dollarwise?

MR. EVANS: Yes, or tons. I would be glad to have the tonnage.

MR. MacPHERSON: We will try to get that for you.

THE WITNESS: I will be very glad to get that.

THE CHAIRMAN: Have you any figures yourself?

MR. EVANS: I am trying to recall something that I heard before, and I was going to ask the witness whether this is approximately correct.

Q Perhaps, Mr. Robertson, you will check my memory. My recollection was that some time ago - I think two years ago when these hearings were being held - that somewhere

it developed that the proportion represented by the grain and grain products movement west for export at Crowsnest Pass rates was about 75 per cent of the total traffic moving. Would that surprise you?

A No, it would not be of the total traffic moving.

THE CHAIRMAN: Seventy-five per cent of the whole traffic?

MR. EVANS: In and out of Saskatchewan.

THE WITNESS: It might be of the grain movement, but it would not be of the total traffic movement.

THE CHAIRMAN: Q. What?

A It could not be 75 per cent of the total traffic moving in and out of Saskatchewan.

Q You do not think so?

A No, I do not think so. I think it is too high. It might be of the grain movement.

Q Are there any statistics that show that with precision?

MR. EVANS: I was trying to see whether he had any.

THE WITNESS: I would be only too glad to try to work it out. It would be a rather interesting figure from our own viewpoint.

MR. EVANS: Q/ If you are able to get it would you get the outbound movement? I am particularly concerned with that.

A Yes.

Q Now then, the only other question I have to ask has to do with the replacement of horses by tractors on the farms. It is true, is it not, Mr. Robertson, that a

very substantial saving has been made to the western farmer in labour costs alone through the use of these tractors?

A Oh, yes, with average yield production costs have been substantially reduced.

Q I think you will agree with me it would be fair to say that the use of tractors has proven profitable in the sense that they have paid for themselves many times over, as compared with the use of horses and men?

A Of course, that is hardly a fair statement because you might as well say the horse did not cost him anything because it was born on the farm.

Q Correct me if I am wrong.

A There is no question, we concede immediately that the mechanization program which has been carried out in the southwest particularly has meant the difference between being able to stay there and being compelled to leave. It has reduced the cost of production.

Q There is one other thing. You spoke to Mr. O'Donnell, and I think earlier in your presentation, about the very large number of tariff changes?

A Yes.

Q Had you any idea of the nature of those changes?

A No, sir. I merely used them to indicate that there was no way by which a young fellow like myself trying to get along could possibly pose as a traffic expert, that there were thousands and thousands of them.

Q Would you be surprised if I suggested to you that the vast majority of them over a period of years have been reductions and not increases?

A It would be interesting, but my thought was how in heavens name can anybody ever keep track of the thing, thousands and thousands of them each year.

Q You would feel a little better if you knew that the substantial majority over a period of years were reductions?

A Yes, it makes it a little better and it may be worth while trying to understand them.

MR. EVANS: Thank you.

MR. COVERT: The next submission is that of the Hudson Bay Route Association.

R. H. MacNEIL, Called

EXAMINED BY MR. MacPHERSON:

Q Your name is R. H. MacNeill?

A Yes, sir.

Q And you live at Sherridon?

A Yes.

Q That is where the Sherritt Gordon Mine is inthe Province of Manitoba?

A Yes.

Q I believe you were the first Secretary of the Hudson Bay Railway?

A That is right.

Q You came out some forty years ago from the east as Secretary of that railway when it first started?

A Correct.

Q And you have been in the west ever since?

A Yes.

Q You remained with the Hudson Bay Railway tunil when?

A 1930.

Q And since 1930 you have remained in that area and you are interested in that area?

A Correct.

Q You are giving evidence here on behalf of the Hudson Bay Route Association?

A Right.

Q Which in turn is the successor of the On to the Bay Association?

A Yes.

Q You have a brief which you wish to present. Will you proceed?

A The Hudson Bay Route Association respectfully submits the following brief concerning the Hudson Bay Railway and the Hudson Bay Route generally for your earnest and sympathetic consideration.

1 It is now a matter of history that from the days of early settlements in the Prairie Provinces the people clamored for relief from being landlocked and having to pay the long haul freight charges to Eastern Canadian Tide-Water Ports in connection with their imports and exports. The people of Western Canada are strongly in favour of trade with Britain which provides the main markets for exports of agricultural products and they are anxious to maintain their markets by purchase of British manufactured goods. It was only reasonable to expect that they would search for the nearest and cheapest outlet and after research and negotiation with the Federal Government

the conclusions were finally arrived at to build a railway from the Pas, Manitoba to Churchill which was found to be a practical site for the Western Canadian Port.

The Railway was completed in 1929 to tidewater at Port Churchill, the harbour and government terminal elevator facilities being completed in 1931 and in that year it may be said the Hudson Bay Route was inaugurated for overseas mercantile trade.

2 In order to consolidate opinions and establish a medium through which negotiations with governments and other authorities might be carried on, the "On to the Bay Association" was formed in 1924.

The membership of the aforementioned Association was composed of representative business, professional men, and farmers in Western Canada, and great credit is due to them for their efforts.

The "On to the Bay Association" functioned successfully until, due to war conditions, Hudson Bay Railway and the Port of Churchill was taken over by the government and used for defence purposes. In November of 1944 however a meeting of the "On to the Bay Association" was held in the city of Saskatoon, the name was changed to "The Hudson Bay Route Association" and it was decided to begin negotiations with the Federal Government for a return of the Railway and the Port to commercial use. This was accomplished in 1945 and the Hudson Bay Route is again recognized as a trade route to the markets of the world. This trade route brings Western Canada approximately 1,000 miles nearer to overseas markets as compared with Atlantic Ports.

While the cost of the Hudson Bay project as stated in

government records is $57,011,834.51, it is well to bear in mind that from 1908 to 1918 14,085,880 acres of western lands were sold for $42,257,640 for the purpose of building a railway to the Hudson Bay.

THE CHAIRMAN: Q. That is crown lands?

A That is crown lands.

MR. MacPHERSON: Q. As a matter of fact, that was preemption lands?

A Preempted homestead land.

Q They had a realization from preemption land of $3 an acre?

A Under the Dominion Land Act of 1908.

The Hudson Bay Railway was paid for from the sale of this land and so far as is known there is no bonded indebtedness against this project.

THE CHAIRMAN: Were all these lands situated in Saskatchewan?

MR. MacPHERSON: They were not all in Saskatchewan. They were in Saskatchewan and Alberta. There were none in Manitoba?

THE WITNESS: Yes, there were.

MR. MacPHERSON: There were some in Manitoba as well.

THE CHAIRMAN: Q. But all in those three provinces?

A The three Prairie Provinces.

3. That substantial use has been made of the Hudson Bay Route is revealed by traffic statistics covering the years 1931-1928 inclusive. The following table shows the record of traffic during this period.

Year	Number of Ships Reported (Deep Sea, Ocean Going, Coastal or Inland Commercial)	Water Borne Cargo Tonnage (Short Ton - 2000 lbs.) Inward	Outward(1)
1931	2	390	16,342
1932	10	419	83,067
1933	10	2,619	81,301 (2)
1934	15	2,466	121,573 (3)
1935	8	2,583	72,210
1936	15	2,128	128,805
1937	14	2,004	19,050
1938	25	52	28,780
1939	20	1,620	53,743
1940	17	67	459
1941	19	91	762
1942	34	122	26,653
1943	35	1,232	32,495
1944	12	65	1,383
1945	9	30	1,077
1946	21	93	93,651
1947	35	425	155,835
1948	35	949	158,760

(1) Wheat cargo

(2) Also 150,134 F.B.M. lumber and 200 head cattle

(3) Also 2,399,544 F.B.M. lumber and 580 head cattle

MR. MacPHERSON: Q. In that table you set out the movement in the various years from 1931 to 1948?

A Correct.

Q Inward and outward?

A Correct.

Q And the figures speak for themselves?

A Correct.

COMMISSIONER INNIS: Q. Is there any distinction as to the type of ship? I notice you have deepsea, oceangoing, coastal or inland commercial.

A Just tramp steamers.

MR. MacPHERSON: What size?

THE CHAIRMAN: What is that?

THE WITNESS: Averaging about 10,000 tons.

COMMISSIONER INNIS: Q. All these average about 10,000 tons?

A Yes.

Q These are not small ships which go along the coast?

A No, these are cargo carrying boats. They are not coastal boats.

Q Coastal or inland commercial would seem to include other boats?

A There might be a few, very few tramp steamers, about 10,000 tons.

MR. MacPHERSON: Q. Go ahead now.

A You are through with this table?

Q Yes.

A It will be noted that the high points in the inward freight movement occurred in 1933 when over 2,600 tons of freight moved inward through Churchill. The period of high inward traffic volume continued throughout the years 1933-1937 inclusive. Following the war the Route has again shown some recovery in the matter of freight, traffic reaching almost 1,000 tons in 1948.

From the standpoint of outward cargo carried through the Hudson Bay Route the peak year was reached in 1948 as indicated in the foregoing table. Predominate in export shipments has been wheat but it will be noted that lumber, and to some extent cattle, have also moved outward through the Port of Churchill. With the progressive development of natural resources in northern parts of the Prairie Provinces, the future holds promise of a substantially increased volume of traffic. It is submitted that this emphasizes the desirability of doing everything which can be done to make the Route attractive both to exporters and importers.

With reference to inward traffic movement the following table shows freight charges with comparisons on freight moving to destinations from Montreal or Churchill into the Prairie Provinces.

Between	Mileage (All Rail)	1st Class Rates Std.Mileage Rate (W-180-D)	Class Rate
Churchill & Calgary	1214	$ 4.02	$3.74 (W.505)
Montreal & Calgary	2221		5.48 (4-F)
Churchill & Winnipeg	977	3.52	3.16 (W.505)
Montreal & Winnipeg	1354		3.23 (4-F)
Churchill & Regina	843	3.16	2.86 (W.505)
Montreal & Regina	1710		4.33 (4-F)
Churchill & Edmonton	1137	3.87	3.58 (W.505)
Montreal & Edmonton	2147		5.48 (4-F)

1st Class Freight Rate	Churchill to Calgary	1214 miles	-$ 3.74
" " " "	Montreal to Farlane	1216 "	- 2.94
" " " "	Churchill to Winnipeg	977 "	- 3.16
" " " "	Montreal to Collins	984 "	- 2.41
" " " "	Churchill to Regina	843 "	- 2.86
" " " "	Montreal to Halifax	803 "	- 1.06

1st Class Freight Rate Churchill to Edmonton 1137 miles - $3.58
" " " " Montreal to Sunstrum 1134 " - 2.76

Q In that table you show the mileage, the first class rates, standard mileage rate and class rate, taking Churchill, Calgary, Montreal, Winnipeg and Regina?

A Yes, sir.

Q Will you go on from there?

A It will be noted the difference in the case of Winnipeg is extremely small and traffic through Churchill to that important distributing centre is very light as a result (see Appendix A). We have Appendix A here.

Q I purpose filing all those together. There are certain appendices which the witness has and we can file them together.

THE CHAIRMAN: Do they contain maps of the area adjacent to the Hudson Bay Railway?

MR. MacPHERSON: Yes.

MR. COVERT: Perhaps we can give a number to those now. They will be Exhibit No. 13 A, B, C, and so on.

MR. MacPHERSON: And D; there is other information which he wishes to file as well.

EXHIBIT No. 13A: Freight charges on traffic ex "North Anglia" discharged in August and September, 1948, at Churchill, Manitoba.

THE WITNESS: As an example of the foregoing we would draw attention to the importation of window glass. It will be noted that a substantial volume of this commodity was brought in over the Hudson Bay Route to Regina.

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THE CHAIRMAN:Q.Where does window glass come from?

A. Great Britain and Belgium.

MR. MacPHERSON: I think the Belgian glass was the chief import at that time.

THE WITNESS: Other Saskatchewan points also imported substantial amounts of window glass via this route. Reference to the tables indicates that no window glass was imported through the Port of Churchill into the city of Winnipeg even though the market for this commodity in that centre is much greater than any other Prairie city.

6. From the standpoint of the development of traffic over the Hudson Bay Railway, some attention might usefully be drawn to certain facts concerning the city of Winnipeg. It is the largest established consuming and distributing centre in the Prairie Provinces. Indeed it is the largest city between Toronto and Vancouver and is almost three times the size of the next largest Prairie city.

THE CHAIRMAN: Q. Which did you have in mind when you said the next largest prairie city?

A. Well, Regina.

MR. MacPHERSON: Regina would be the next, with a population of about 60,000 or 62,000.

THE WITNESS: Furthermore, it has a distance advantage from United Kingdom ports of approximately 377 miles in favour of the Churchill Route as compared to the route via Montreal and it is contended that this mileage advantage, and the mileage advantages of other

Prairie distributing centres, should be reflected adequately in the relative costs for the carriage of freight.

7. That the great advantage of the shorter distance from Prairie points to tidewater at Churchill compared with Montreal is not reflected in the freight rate structure now obtaining on the Hudson Bay Railway is shown in the following table.

From	To	Mileage	1st Class Rate (per 100 lbs.)
Montreal	Winnipeg	1354	$ 3.23
Churchill	Winnipeg	977	3.16
Mileage difference in favour of Churchill			377
Montreal	Regina	1710	4.33
Churchill	Regina	843	2.86
Mileage difference in favour of Churchill			867

MR. MacPHERSON: Q. Then you insert a table, Mr. MacNeill, in which you show the mileage and the first class rate Montreal-Winnipeg, Churchill-Winnipeg, Montreal-Regina and Churchill-Regina?

A. That is correct.

8. The whole purpose behind the building of the Hudson Bay Railway and the development of Churchill was to bring the Prairies closer to tidewater with the logical expectation that the substantial advantages of reduced rail haul would be directly reflected in reduced freight costs. This expectation has not been fully realized due apparently to the particular rate structure which has been applied to the Hudson Bay Railway. The application of the prairie rates and absence of competitive forces have in large measure denied to this

route and the territory it was designed to serve, the advantage of the shorter haul. Thus, in the case of the large distributing centre of Winnipeg we find the anomaly that with a distance advantage of some 377 miles in favour of Churchill the First Class Rate is only 7 cents less than the rate from Montreal. In the case of Regina the rail haul is less than half the distance from Montreal but the rate is $2.86 compared with $4.33 or only about one-third less. These examples appear to point up sharply the effect of the generally higher effective rates applying on movements within the Prairie territory and the impact thereof on the Hudson Bay Route.

9. For the further information of the Commission we attach as an appendix to this brief a study conducted by the Trade Services Division of the Department of Co-operation and Co-operative Development entitled "Imports via Hudson Bay Route 1948." (Appendix B).

MR. MacPHERSON: That will be included in Exhibit 13.

MR. HUNTER: It will be 13-B.

EXHIBIT NO. 13-B -- Booklet -- Imports via Hudson Bay Route, 1948.

THE WITNESS: In this, data will be found on tonnages of various commodities consigned to several Prairie points and comparisons of charges involved.

THE CHAIRMAN: Q. What effect, if any, had the Crows Nest Pass agreement on that?

A. No effect, your lordship; quite satisfactory on the rates for grain and grain products.

Q. Well, does it apply on grain?

A. Yes.

MR. O'DONNELL: The same rates apply there, my lord.

MR. MacPHERSON: The same rates as Montreal.

THE WITNESS: On grain.

MR. O'DONNELL: We discussed that at Winnipeg.

THE WITNESS: 10. The Hudson Bay Route Association earnestly urges that the rate structure on the Hudson Bay Railway be carefully reviewed to the end that reductions be instituted so that the resulting rates may adequately reflect the shorter distance to tidewater and thereby facilitate and enlarge the volume of traffic over this Route. This is urged having regard to the development of traffic which has already taken place, to the immediate potential traffic and to the general development of the Route having regard to the great potentials which the promise of Northern development justifies.

11. It is apparent that the Northern part of the Western Provinces suffer from lack of adequate Railway Services which retard the development of the Natural Resources. We therefore ask leave to file a map of the Railways in the North which shows the need for extensions. To this map is attached our arguments in support of the extensions requested. (Appendix C).

MR. MacPHERSON: That will be Appendix C of 13. It is supposed to be at the back of the brief, my lord.

MR. COVERT: For the record, the map will be

an appendix to Exhibit 13-C.

EXHIBIT NO. 13-C -- Map of Northern Railways and arguments in support of extensions requested.

MR. MacPHERSON: Q. Go ahead, Mr. MacNeill.

A. We submit that if and when the Railway System is completed along the line of our proposals, feeder lines to the Hudson Bay Railway will assist in providing substantial revenue to the Railway and the necessary development of our Great North Land will become a practical possibility.

12. May we suggest that consideration be given to the colonization of the fertile Nelson River Area comprising a territory of 150 x 50 miles located on both sides of the Great Nelson River, Eastward from the Hudson Bay Railway between mileages 100 and mileage 242 at the Manitou Rapids Bridge crossing over the Nelson River.

This project can cover colonization development and co-operative farming on a large scale and the territory will produce millions of cords of pulpwood and unlimited tonnage of paper by plants to be established and cheaply operated with hydro power obtainable at hand along the Nelson River. Small pulpwood operators are now engaged in the industry in this district.

The soil of this area is similar to that of the Carrot River Valley in North Saskatchewan where co-operative farming is now being undertaken. The development of this area will provide substantial revenue to the Railway and homes and jobs for many people.

THE CHAIRMAN:Q.On this chart, Mr. MacNeill, I see a line with a short dash and a long one; what does that indicate? It is at the bottom.

A. Well, that would denote under construction.

Q. You see this long black line that goes right out to the Bay; is that the proposed railway?

MR. O'DONNELL: That is the provincial boundary line.

MR. MacPHERSON: That is the boundary line, I think.

THE CHAIRMAN: What boundary?

MR. O'DONNELL: Manitoba-Saskatchewan.

MR. FRAWLEY: Northwest Territories.

MR. MacPHERSON: Ontario and Manitoba, that is what it is.

THE WITNESS: 13. The Hudson Bay Route Association has put forth great effort to publicize the Hudson Bay Route and encourage its use. It has been supported by large numbers of public spirited citizens in Manitoba, Saskatchewan and Alberta who have given of their time and energy in promoting the welfare of the Route and the Hudson Bay Railway in particular. This Association and its predecessor, the "On To The Bay Association" have been consistent in their efforts over a long period of time, even in the face of many discouragements. There is evidence that this work and the work of various other public and governmental bodies are bearing fruit. It is felt the time has arrived when active and energetic steps should be taken by the Railway management to take advantage of

the good-will which we feel our Association has built up for the Hudson Bay Railway. As a concrete proposal we respectfully suggest that a Freight Soliciting Agent be appointed to solicit traffic for the Route both in the Prairie Provinces and in the United Kingdom.

THE CHAIRMAN: Q. Mr. MacNeill, has your Association membership in the province of Alberta as well as Saskatchewan and Alberta?

A. Yes.

Q. A large number in Alberta?

A.Quite extensive; individual memberships as well as affiliations of chambers of commerce, boards of trade and other industrial organizations.

Q. Would you say that these people are all north of Edmonton, or throughout the whole province?

A. The whole province.

MR. MacPHERSON: Q. Go ahead, Mr. MacNeill.

A. Heretofore, no such soliciting agent, working specifically in the interests of the Route has been employed and this work has been done by individuals and governmental agencies interested in the development of the Hudson Bay Route. We attach considerable importance to this recommendation as we feel it is essential in order that the Hudson Bay Railway may obtain its full share of traffic, and particularly that it may lay the groundwork for obtaining its proper position in the handling of additional traffic when the potential development in the north is realized.

14. It has been and continues to be the objective

of the Hudson Bay Route Association to have a full scale test made of the capabilities of the Hudson Bay Route. It has been estimated that under ideal conditions Port facilities are capable of handling 25,000,000 bushels of grain for export during the present season.

THE CHAIRMAN: Q. Would you tell me what you mean by ideal conditions?

A. Well, weather conditions, not too many storms overhead, so that boats can ply back and forth regularly.

MR. MacPHERSON: Q. You mean the shipping?

A. The shipping, yes.

THE CHAIRMAN: Mr. MacNeill says that port facilities -- I suppose as they are now -- are capable of handling 25,000,000 bushels of grain, that is, provided the conditions are ideal.

Q. That means a large crop, among other things?

A. No; we would refer there to shipping conditions, the elevator capacity and ---

MR. MacPHERSON: Q. Actually -- I think probably this might clean that up -- actually how much grain was moved through the port last year?

A. 5,300,000 bushels.

Q. And that was the heaviest movement of grain in any year?

A. Correct.

Q. Now, if you had ample shipping facilities, and with the season as it is, you say you could handle 25,000,000?

THE CHAIRMAN: Do these shipping facilities include vessels?

MR. MacPHERSON: Oh, yes, it is the vessels, I think.

Q. That is what you mean?

A. Yes, the shipping.

MR. FRAWLEY: Q. Mr. MacNeill, do you have the breakdown of that last year's 5,000,000 as between Alberta, Saskatchewan and Manitoba?

A. No, I have not got a breakdown of that.

MR. MacPHERSON: Q. It would be mostly Saskatchewan wheat?

A. Mostly.

THE CHAIRMAN: Q. Mostly Saskatchewan?

A. Mostly Saskatchewan.

It has been further suggested that the breaking point for economic operation is in the neighbourhood of 15,000,000 bushels. No attempt has been made so far to make a test of this magnitude to determine the facts and it is urged that such a full scale test be arranged at the earliest possible time.

15. In summary, therefore, we submit,

(1) That it is the earnest objective of this Association to develop, by all means possible, traffic both inward and outward over the Hudson Bay Railway and the Hudson Bay Route.

(2) That the present freight rate structure applicable to the Hudson Bay Railway is on a level which fails to reflect adequately the shorter distance of Prairie points to tidewater at Churchill and a revision of the rate structure is essential to make the Route more attractive to Prairie importers and distributors.

(3) That the Commission give careful consideration to our request for Railway extensions in the North, as referred to in paragraph # 11.

(4) That due consideration be given to Colonization of the fertile Nelson River Area.

(5) That a Freight Soliciting Agent be appointed for the specific purpose of promoting traffic for the Hudson Bay Route.

(6) The Association further recommends that a full scale test of the capability of Hudson Bay Route in the export of prairie grain be inaugurated.

THE CHAIRMAN: What sort of test has Mr. MacNeill in mind?

THE WITNESS: The shipment of 25,000,000 bushels in one season.

MR. MacPHERSON: Q. The test you mean is a test to endeavour to ship 25,000,000 in one season?

A. In one season.

Q. That would be the obtaining of bottoms to carry the wheat as well as everything incidental thereto?

A. Yes.

Q. That is what you consider a test?

A. Yes.

THE CHAIRMAN: Q. Who is to make the test, the shippers or the railways, or how are you to gather these 25,000,000 bushels?

A. The Wheat Board would route it that way.

Q. Oh, you want the Wheat Board to do it?

MR. MacPHERSON: Q. Now, Mr. MacNeill, you

have referred to a number of exhibits,and I think one of the exhibits that you have not mentioned is one that has to do with the financial position?

A. Exactly.

Q. And you have them all grouped together here, have you not?

A. All the exhibits are here, yes.

MR. MacPHERSON: Now, I want to file these.

THE WITNESS: I want to make remarks on the financial one.

MR. MacPHERSON: Well, make your remarks; this is on the financial aspect of Exhibit 13, which I now propose to file?

A. Financial, and Order in Council.

Dominion Government Department of Transport - Hudson Bay Railway - Financial Statements - 1948-49 1947-48. We would like to ask this Commission to examine the ratio of revenues and expenditures in this financial statement.

EXHIBIT NO. 13-D -- Consolidated income account,Hudson Bay Railway, 1948-49 and 1947-48.

THE WITNESS: This national investment totals around 70 millions of dollars including annual deficits - interest and sinking fund with no bonded indebtedness.

We would ask for the recommendation by this Commission for the immediate appointment of an independent three-man Supervisory Board for a Five-year minimum period covering all conditions pertaining to the Hudson Bay Railway and Port of Churchill, operations on land and sea and composed of an Engineer, Traffic Officer and Accountant.

It is maintained that the attached Dominion Government Order in Council" P.C. 3340 dated at Ottawa, Tuesday the 27th day of July, 1948, is unsatisfactory and should be amended to provide for a Supervisory Board as herewith specified, for additional protection of public equity.

THE CHAIRMAN: Q. What does the Order in Council provide for?

A. Gives the Canadian National Railways full maintenance and operating charge.

MR. O'DONNELL: It occurred to me, Mr. Chairman, that we might be interested in that Order in Council. I would like copies made to be filed. That will be Exhibit 14, possibly.

MR. COVERT: Yes, Exhibit 14.

EXHIBIT NO. 14 -- P.C. 3340, dated July 22, 1948.

MR. O'DONNELL: I have three copies here, one for each of the Commissioners.

THE WITNESS: I have a few remarks to make ---

MR. MacPHERSON: Go ahead, Mr. MacNeill.

THE CHAIRMAN: Q. On this Order in Council?

A. No, on the marine insurance and extension of season.

MR. MacPHERSON: That is part of Exhibit 13 that is filed .

THE WITNESS: Through personal experience over many years at Port Churchill and in Hudson Bay and Straits, I see no known difficulty to advancing the navigation season by several weeks in the month of

July and extending the season at least for the present until the end of October of each year with absolute safety.

In making an urgent request for a revision downward of both Hull and Cargo Marine Insurance rates to Port Churchill to be competitive with other Atlantic ports, we would refer to the following precedent carried out by the Dominion Government:

> "In the spring of 1924 the Dominion Government brought the question of the B.N.A. Warranty before the Imperial Shipping Committee with the result that all of the British North American ports on the Atlantic were included in the Warranty including the Port of Churchill."

It is therefore reasonably evident that an appeal from the Dominion Government made now re the above request would prove successful.

Attached is a detailed report on Marine Insurance with reference to Atlantic ports.

MR. MacPHERSON: Q. That is part of Exhibit 13?

A. That is an exhibit.

MR. HUNTER: Better make that 13-E.

MR. MacPHERSON: Exhibit 13-E, that is on the marine insurance?

A. Yes.

EXHIBIT NO. 13-E -- Hull insurance rates on the Hudson Bay Route.

THE WITNESS: In connection with the exhibit on colonization, herewith we desire to submit the attached precedent of Railway agreements with the

Province of Manitoba during the years 1901-04 granting freight rate concessions in order to open up and develop Colonization of Manitoba and Western Canada.

We therefore earnestly suggest that this Royal Commission recommend some similar form of procedure with the Dominion Government and Canadian National Railways to develop and colonize the suitable territory located in Northern Manitoba adjacent and Easterly along the Hudson Bay Railway. Also attached is other evidence to warrant the commencement of this proposed Colonization project. The exhibits are there.

MR. MacPHERSON: They are all filed in Exhibit 13.

Q. Now, is there anything further, Mr. MacNeill?

A. Perhaps I may be permitted to say, I am sure it will be gratifying indeed to the many hundreds of individual members of the Hudson Bay Route Association, together with their affiliated bodies of Chambers of Commerce, Boards of Trade, Municipal Councils and other industrial and mercantile interests throughout the Prairie Provinces that you have so kindly extended an opportunity for a representative to present to you a "Submission" outlining some important requirements essential for the fuller increased development of the Hudson Bay Transportation Route in Western Canada.

I therefore express our sincere thanks to the Dominion Government and members of this Royal Commission on Transportation in the hope, sir, that you will make a thorough study of this matter with the view of determining and adjusting all underlying reasons, why this Transport

Route does not operate more profitably for the benefit of our Western and National economy.

In an approach to a discussion of this great natural National Transportation project and to help solve the difficulties toward a free and unfettered universal economic shipping entity, we should understand its relative basic position in design and intent, so that we may accomplish the purpose for which it was built.

First we must realize that this Route operates through the Atlantic tidewater Port of Churchill and all of its incidental functioning thereto should be considered as such and if it is to have its full measure of justice, its operations both on land and sea should receive similar consideration to other tidewater ports in Canada.

MR. MacPHERSON: Your witness.

MR. COVERT: Mr. Chairman, I notice it is one o'clock; I don't know whether you want to adjourn now.

THE CHAIRMAN: It is one o'clock, yes. I think we had better adjourn now.

EXHIBIT NO. 13-F -- Nelson River Valley Colonization Project.

---The Commission adjourned at 1.00 p.m. until 2.30 p.m.

(Page 1227 follows)

MR. MacPHERSON: Your witness, Mr. Covert.

MR. COVERT: Thank you.

CROSS EXAMINATION BY MR. COVERT

MR. COVERT: Q. First of all, Mr. MacNeill, would you tell the Commission how long is the season in which the port operates at the present time.

A. Approximately from August the 1st until October 12th, when the marine blanket insurance expires.

THECHAIRMAN: Q. You are governed by the insurance regulations? You are talking of the insurance season?

A. No. That is the actual operating shipping season.

MR. MacPHERSON: Q. The Chairman wanted to know if the insurance had not expired, could you operate the port after that date?

A. Oh yes.

THE CHAIRMAN: Or, on the other hand, if the insurance began earlier, could the port operate earlier.

A. Oh yes.

Q. That is, I suppose, a technical point.

A. That is why we asked for an extension of the season both ways, earlier and later.

Q. For insurance purposes, what dates do you suggest?

A. We suggest from the 15th of July to the 30th of October.

Q. You think that is a reasonable proposal?

A. The Lloyd's Insurance Company - I would not like to say will guarantee - but they have said that if you have so many boats come in there in that time, they would be predisposed to give blanket insurance for that time.

Twenty was the minimum of boats.

Q. There was a good big spread there.

A. That is right.

MR. COVERT: Q. At the bottom of page 9 and at the top of page 10 of your submission you said that you felt the time had arrived when active and energetic steps should be taken by the railway management to take advantage of the good-will which you feel the Association has built up for the Hudson Bay Railway. Are you suggesting that the railways had not recognized the possibilities of the development of this port.

A. Yes, we take that position.

THE CHAIRMAN: Q. There is only one railway there.

A. Yes, the Canadian National.

MR. COVERT: Q. The Canadian National Railways took the railway over last year, did they not?

A. By Order in Council, yes.

Q. Is it not true that up to date that particular branch of the railways has been operating at a deficit.

A. That is true.

Q. And I believe that you suggest that fifteen million bushels of grain is, what you would call, the breaking point; I take it: You mean that would be the break-even point, below which it would operate at a loss, and above which, at a profit.

A. That would be according to the expenditure.

Q. I wonder if you would explain what you mean by "breaking point for an economic operation".

A. With the ordinary costs of maintenance of operating a railway, fifteen million bushels might take care of the

ordinary expenses; but if there were excessive expenditure in that operation, it would not take care of it.

Q. I see.

A. And that is why we want a little more control. That is why we want that Order in Council amended. It is unsatisfactory. We might develop a lot of traffic for the Hudson Bay route, when the expenditures would soar, and we could not say how much traffic would meet the expenditures.

Q. Are you suggesting, sir, that this line should be divorced from the C.N.R. entirely?

A. This route?

Q. Yes.

A. No.

Q. You are not? That is all, thank you.

THE CHAIRMAN: Are there any questions?

CROSS EXAMINATION BY MR. FRAWLEY

MR. FRAWLEY: Q. You told the Chairman this morning that you had a membership in Alberta. Would you just indicate the nature of that membership, the kind of people that belong.

A. Well, individual memberships, chambers of commerce, affiliations, boards of trade, town councils, and municipal councils.

Q. I see. A municipality might signify a desire to belong, and that would be one more member?

A. Yes.

Q. And a board of trade, another member; these individualmembers, who are they?

A. We have tickets that we send out, a dollar per

membership. We have canvassers in the field selling membership tickets in the Hudson Bay Route Association. That is how we get a few dollars to carry on.

THE CHAIRMAN: Are there any questions whch anyone wishes to ask?

CROSS EXAMINATION BY Mr. O'DONNELL

MR. O'DONNELL: Q. I have not any questions, and inasmuch as this was discussed in Winnipeg, I do not think there is anything else I might say, other than to note that at page 10 where Mr. MacNeill suggests soliciting agents to be used to solicit traffic for this particular route, the railroads do not use soliciting agents to solicit traffic for any particular route, and as would appear at the bottom of page 10, paragraph 14, I merely observe that the shipper usually directs which route he wishes the traffic to go.

At page 6 thereare other routes set out in paragraph 7, and I would merely indicate to the Board that the route from Montreal to Regina and from Montreal to Winnipeg is influenced by water-compelled rates to the extent of 934 miles; that is, as far as Montreal to Fort William; and that accounts for the difference.

A. Might I say something.

THE CHAIRMAN: Q. You may proceed.

A. We are appealing for the Hudson Bay route differential on a mileage basis as a tidewater port, similar to Vancouver or Montreal. It never was the intention of the government in 1908, when this was first started; there was never any idea of basing the rate on an inland

port of Fort William or Port Arthur, that they should govern a tidewater port tariff. It was never the intention! And in the years gone by it has stepped up into that situation, and we protest it.

MR. MacPHERSON: Thank you, Mr. MacNeill. I now call Mr. Brockelbank.

HON. J. H. BROCKELBANK, called

MR. MacPHERSON: This is the Honourable J. H Brockelbank, who is giving evidence along that same district. Among the appendices filed by Mr. MacNeill was one dealing with proposed extensions, and Mr. Brockelbank will give evidence in connection with it.

MR. MacPHERSON: Q. Mr. Brockelbank, you are a member of the government of Saskatchewan.

A. Yes.

Q. You are the Minister of Natural Resources?

A. Yes.

Q. And you are familiar with the northeastern portion of this province of Saskatchewan.

A. To quite an extent.

Q. You have lived there for a gerat many years.

A. Yes.

Q. And you know that area.

A. Quite well.

Q. Mr. Brockelbank, there was an appendix C filed in connection with exhibit 13, which has been filed during Mr. MacNeill's evidence; and there is a proposed C.N.R. extension which you wish to speak to; and the first extension was from Carrot River and Arborfield via Cumberland

House to The Pas. Will you please tell the Commission what you wish to say in connection with that particular extension.

A. This proposal here would serve a very good area of agricultural land which is, at the present time, far away from the railway. This splendid area extends the present settled area 36 miles at least beyond the rail head at Carrot River; and this area in the Cumberland House territory, which is on the Saskatchewan River, contains a considerable area of land which has definitely agricultural possibilities. In fact, it is known as the Saskatchewan Delta; It is an area rich in soil; and, in addition, all this area, through that way, carries considerable timber, pulpwood, saw logs, and so forth. The railway would also make that accessible.

Q. The mileage, Mr. Brockelbank, from Carrot River to the present rail head via Cumberland House, would be how much?

A. Approximately 140 miles.

Q. And you say it would open up territory that is not now served by the railway at all.

A. Yes.

COMMISSIONER INNIS: Q. When youmention saw logs, has that to do with The Pas Lumber Company which draws pretty heavily on the Carrot River district?

A. This would be somewhat further north than that.

MR. MacPHERSON: Q. It would not be from the territory which now furnishes the lumber to The Pas.

A. The Pas Lumber Company have logs on the Carrot River and they drive the logs down the river to The Pas.

But if this line were to go within reasonable distance of Cumberland House, it would be quite a distance from the Carrot River itself.

COMMISSIONER INNIS: Q. Where would this line bridge the Saskatchewan, at Cumberland House.

A. No, I would not think so. I think it would stay south, south of the Saskatchewan River.

Q. You would not cross the Saskatchewan.

A. No; it would cross it at The Pas.

Q. You do not show that route on the map.

MR. O'DONNELL: We could get it in exhibit 9.

THE WITNESS: The present Hudson Bay line crosses the Saskatchewan at The Pas.

MR. MacPHERSON: Q. Now, the second extention which you wish to speak to was one from Paddockwood to Lac La Ronge which is directly north of Prince Albert,

A. Almost.

Q. The mileage from Paddockwood to Lac La Ronge, would be what?

A. About 120 miles.

Q. What have you to say about the topography of that country.

A. The country there is not very rolling or hilly, it is fairly flat until you get right to the Cumberland, or to Lac La Ronge. You get then, because of the age of the Pre-Cambrian Shield - this extension differs a little from the previous proposal. In the previous case it would be very valuable to have a rail transportatinn for the present settled area, and even a short extension there would be very valuable.

In this particuar case the value of a railroad would be to get to the edge of the Pre-Cambrian Shield which is the mineralized area; and also, Lac La Ronge would be a very logical rail head, because transportation in the north, to a very great extent, is carried on by air. There is an excellent air base at Lac La Ronge. I suppose it will always be that much of the flying in the north willbe done on floats and it will be necessary to have a good water base. That is now a licensed base and a very good one.

THE CHAIRMAN: Q. What about the highways in the northern part of that proposed route.

A. There is a highway at present from Prince Albert to Lac La Ronge.

MR. MacPherson: Q. Is there much exploration work being done in that district right now?

A. There is a good deal of exploration being done north, northwest and northeast of Lac La Ronge. It cannot be said - and I would not want to give any wrong information here - but it cannot be said that there are any important ore bodies in that area which are proven. There is uranium. There is gold. But as to base metals, I do not know so much about that there has been so much proven there.

Q. There has been some copper?

A. There is copper showing, I think; definitely there is.

Q. And so far as Lac La Ronge is concerned, thereis the tourist industry.

A. Very definitely.

Q. Now the third extension which you suggest is Big River to Fort Black. What would be the extent of the

mileage between Big River and Fort Black.

A. It would be around 125 to 130 miles.

Q. What is the topography of that country?

A. It is not unduly hilly; it is gentle and rolling.

THE CHAIRMAN: Q. You said from Big River?

A. From Big River, yes.

Q. I do not see Big River marked on the map.

A. It is just north and slightly west --

Q. But it is not on the map.

A. It may not be marked there, but it is the terminus of the C.N.R.

MR. O'DONNELL: Block C-12.

(Page 1247 follows)

A. This proposed extension compares with the previous one to Lac La Ronge, except that this one does not reach the Precambrian area, and would not be affected, of course, by minerals from the Precambrian area, but it does go through an area which has a lot of very excellent stands of pulpwood, and would make that accessible so that it could be shipped out, as well as sawlogs. Fort Black is just this side of the lake from Ile-a-la-Crosse, which was one of the famous old settlements in Saskatchewan. I would like to say, sir, too, that this part of the province, though we regard it as the north, has some definite agricultural possibilities, for a modified form of agriculture.

THE CHAIRMAN: Q. Is there any such thing in the Lac La Ronge area, the one you spoke about?

A. There would be very little. There would be some possibility of agriculture, but it would have to be probably modified from what we regard as regular agriculture. It might run more to a ranching type or growing of fodder crops or fodder seed crops.

MR. MacPHERSON: Q. Then there would be fish and fur sources in that area as well?

A. In both areas.

Q. In both areas?

A. Yes.

Q. Now, Mr. Brockelbank, there is a fourth extension, from St. Walburg via Goodsoil and Pierceland to Beaver Crossing in Alberta; that crosses on the Alberta side. That rail mileage would be how long?

A. 100 or 105 miles.

Q. And what about the topography of that country?

A. It is fairly good agricultural country. Like the first one, or a part of the first proposed extension from Carrot River, this extension would serve a country that is largely agricultural. At the present time there is an area here about 60 x 75 miles which is all settled -- I do not mean by that that every square mile is settled, but it has agricultural settlement all through it on the land that is fit for agriculture. The balance is in forest. No railway is in this area at all. I would consider that this, together with the first proposal, to serve an already established agricultural area, is most important. In this area there are three grain elevators away from railroad which the grain companies have established to receive grain from the farmers, and then it is trucked out in big trucks from there to railhead. This area produces the grain that goes through those elevators; where farmers have efficient trucks of their own they may haul it out direct to railhead themselves. There is a considerable amount of livestock raised in the area. It is really a pretty good agricultural area.

Q. Now you are talking particularly of Goodsoil and Pierceland?

A. Goodsoil, Pierceland and Loon Lake.

Q. These were the four extensions that you wished to speak to, these four branches, Mr. Brockelbank?

A. Yes.

Q. And I think it is the fact that nothing has been done in the matter of extending these roads or these

roads or these branch lines since 1930; would that be right?

A. I think that is about the date when the work ceased.

Q. When construction stopped?

A. Yes. Incidentally, in this Goodsoil-Pierceland area there was a railway grade built practically all the way through, but it stopped in 1930.

Q. The rail was never laid?

A. Rail was never laid.

Q. Now, is there anything else you would like to say to the Commission relative to these lines?

A. I think nothing else, except to emphasize the importance particularly to these alreadyestablished agricultural communities of having rail service within a reasonable distance. The other extensions into the north I think are things that we should keep in mind, because development in the north may depend on those at any particular time, but the urgent extensions I would say are these, which serve already established agricultural communities, and would mean a great deal to those communities and to the further development of them.

THE CHAIRMAN: Q. You are assuming, Mr. Brockelbank, are you, that these territories that you have in view now in connection with these extensions, would serve the Churchill route, the Hudson's Bay route?

A. Of course, any goods that originate in this particular area, if they are going overseas and it is practicable for them to go through the Churchill route, they are in that area, and that was the reason for the

proposed extension from Carrot River right through to The Pas. That would provide a cut-off right from Melfort, which is one of the very good producing areas in the province, right direct through to The Pas and thence to Hudson's Bay.

MR. MacPHERSON: Q. That is, you consider them as feeder lines for the Churchill route if necessary?

A. Oh, yes, absolutely.

MR. MacPHERSON: Mr. Covert.

MR. COVERT: No questions.

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Brockelbank, have you had any estimate of the cost of these various projects made?

A. No, I have not.

Q. You have no idea what they would cost?

A. No.

Q. Some of that country, looking at the map -- I don't know it at all -- strikes me as being very difficult country to build in, or to build a railway in, at least?

A. Well, the country for example from St. Walburg through by Goodsoil and Pierceland would compare quite favourably with the country from St. Walburg south for 25 miles for construction of a railway -- much the same kind of country.

Q. Would you suggest that they should be built at any cost at all, or should ---

A. No.

Q. -- a certain amount of judgment be exercised in respect of building them?

A. One couldn't go that far.

Q. For instance, you have here in the proposed extension No. 5, Gypsumville to Wekusko; that is approximately 200 miles.

MR. MacPHERSON: He did not speak of that.

THE WITNESS: I have not spoken of that.

MR. O'DONNELL:Q.I beg your pardon; shall we delete that from the brief?

A. No.

MR. MacPHERSON: I did not speak to that; it is not in Saskatchewan.

THE WITNESS: This is not my brief, of course.

MR. MacPHERSON: That was part of the brief of Mr. MacNeill.

MR. O'DONNELL: I beg your pardon; I had not looked at that.

Q. Now, on this extension No. 2, Paddockwood to Lac La Ronge, your Provincial Government highway map, which I believe is Exhibit 11, shows a fairly good highway right up through Prince Albert National Park?

A. Yes.

Q. To Lac La Ronge; and that is marked with a marking which indicates that it is a second-grade road, I think, a gravel road, is it not?

A. It is a gravel road.

Q. That is a good gravel road right up to Lac La Ronge?

A. Yes.

Q. Now, all those lines proposed would be in the

nature of development or colonization lines, would they not, in the first instance?

A. No, I do not think so, because these two, particularly a short extension from Carrot River or Arborfield, or a connection and an extension, would be not colonization; the country is already colonized for 35 miles; it would be giving a service that is necessary, I think.

Q. I see; helping develop the area?

A. And it would help to further develop it.

Q. In the first instance you would agree, I take it, that they could not be expected to be a commercial proposition; I mean, the revenue that would accrue from the operation of the line would not make it self-supporting or make it a paying proposition, in the first instance at least?

A. Well, of course, the railway is now at Carrot River, and if the company decided to take up the last 20 miles of that line going into Carrot River they would still get most of the grain that was grown in there. If that line from Carrot River were extended, and a new town 12 or 15 miles farther in, I feel sure that they would be taking in two or three hundred thousand bushels of grain a year.

Q. But in the first instance, to build here, 140 miles, 121 miles and 130 miles into that relatively new territory, which has not a very extensive population, would not be a paying proposition from the point of view of the railway, would it?

A. Some of these certainly not now, but ---

Q. All I am trying to get at, Mr. Brockelbank, is to see what your ideas are as to who should bear the cost of operating those lines, which on their face would not be self-supporting in the first instance. Have you any views on that? You are Minister of ---

A. Natural Resources.

Q. Minister of Natural Resources; and possibly you might have some views on that matter?

A. Well, we may, of course, find 'at any time we may have another Flin Flon not far from Lac La Ronge.

THE CHAIRMAN: Q. Another Flin Flon, a mine. That could happen, and it is in the area where it may develop.

MR. O'DONNELL: Q. But until that happens who would bear the operational deficits and who would bear the cost of constructing the roads? That is all I am endeavouring to get at. Have you any ideas on that? I quite agree that it is in the interests of the country, possibly, to develop as much of the country as possible, but what consideration should be given to the railroad, any railroad that might have the willingness or be pioneer enough to go into this business? Should it receive some support until it gets operating in such a way that it carries itself, or if it never carries itself what should happen?

A. Well, if there was sufficient reason, of course, what was considered to be sufficient reason for building a railway that was uneconomic, the country should of course, as they have in the past, support it.

Q. That is what I had in mind. I just wondered if you had any further ideas on it. Thank you, Mr. Brockelbank.

MR. EVANS: No questions.

MR. MacPHERSON: Thank you, Mr. Brockelbank.

THE CHAIRMAN: Thank you, Mr. Brockelbank. What is next?

MR. COVERT: Saskatchewan Federated Co-operatives Limited.

THE CHAIRMAN: It was on yesterday's agenda.

H. L. FOWLER, called

EXAMINED BY MR. MacPHERSON:

Q. Your initials, Mr. Fowler, are H.L.?

A. H. L. Fowler, yes.

Q. And you Are General Manager of the Saskatchewan Federated Co-operatives Limited?

A. No, I am Secretary of the organization. We do not have a General Manager. We operate by management committee, and I am a member of the management committee. I am Secretary of the organization.

Q. In any event, your organization in your brief sets out, I think, exactly what the organization is, and I suggest you present your brief now to the Board.

A. Thank you, sir.

THE WITNESS: My Lord and gentlemen:

Saskatchewan Federated Co-operatives Limited is a wholesale and manufacturing organization owned by over five hundred and fifty local co-operative associations in the province of Saskatchewan. Its function is to supply these member locals with a wide range of goods, such as Petroleum, Binder Twine, Coal, Lumber, Feed, Hardware, Groceries, Dry Goods, and practically all the requirements needed by these local co-operatives to supply over 75,000 members. To do this, Saskatchewan Federated Co-operatives own and operate the following facilities:

2 Wholesale warehouses in Regina, Sask.

2 Wholesale warehouses in Saskatoon, Sask.

2 Coal mines in Drumheller area, Alberta.

1 Lumber mill at Canoe, B.C.

1 Oil refinery at Regina, Sask.

7 Oil wells at Leduc, Alberta.

2 Feed compounding plants (Regina and Saskatoon).

Its volume of business for the fiscal year of 1948 was approximately 13½ million dollars.

The volume has grown from less than a half million dollars in 1931 to the figure of 13½ million dollars as quoted above. The greatest increase percentagewise was during the depression of the thirties, when the farmers, faced with drastically low prices for primary products, adopted the self-help technique of the Co-operative movement, and built co-operatives to improve their economic position.

In our presentation we shall not attempt to present data in respect to inequities of freight rates between

various areas or as between commodities, because to do this efficiently and intelligently requires a statistical staff well versed in the subject at hand, and this we do not have at our disposal. Rather we shall limit our presentation in this regard to the filing of a schedule showing the impact of recent freight rate increases on the various items of consumer goods. The impact of freight rate increases on the cost of living will be noted. This is particularly noticeable in this province where exceptionally long freight hauls are necessarily part of our economy.

We believe that any contribution we might have to offer lies in the field of general observation as to the position of rail transportation as it affects our Canadian economy.

Railways are naturally an integral part of our Canadian economy and for the service they render to the Canadian people, they are entitled (in a broad and general way) to freight and passenger rates which will enable them to

(a) pay fair wages to all within their employ

(b) set up depreciation on capital equipment

(c) allow a reasonable interest rate for capital employed (whether privately invested or government funds.)

The above being granted, it should naturally follow that the railroads have a moral responsibility to serve all the people of Canada efficiently, without discrimination, and without unnecessary duplication of services or effort.

It is our observation that excessive waste and duplication does exist as the following illustrations -- taken at random -- will show.

There are approximately 48 points classified as "competitive points" in Saskatchewan. (There are several other points where meeting lines cross or converge, that are not listed as competitive points). While there are Union stations at several points, it is our information that there are only three points where there is a pooling of services or joint agencies in respect to the business conducted, and even then the "pooling" is not all inclusive. There are only thirteen points where carload traffic is interchanged. As an illustration let us use the Town of Tisdale, which is listed as a competitive point. The total volume of traffic handled is relatively small, but both railroads maintain full terminal facilities. The complete pooling of services at this point, and at many hundreds of similar points in Canada would mean a tremendous reduction in operating expenses -- perhaps to the point of eliminating the need for increased freight rates at this time. A transfer at this point would also mean a great service and saving to the people. For instance, a carload moving from Crooked River (on the C.N.R. East of Tisdale) to Rose Valley (on the C.P.R. South of Tisdale), should be exchanged at Tisdale, meaning not only a saving in freight charges to the shipper or consumer, but a saving in wear and tear of equipment, as such a transfer must now take place at either Melfort or Yorkton.

The mileage over both lines via the most direct route is 53.7 miles. If the car is transferred at Melfort the total distance travelled would be 232.2 miles, or via Yorkton, 254.9 miles.

On a tank car of gasoline moving from Regina to Tisdale, the distance on which the rate is assessed, via

Lanigan and Goudie, is 277.8 miles, and the current freight rate is 57¢ per hundred pounds. The shortest distance Regina to Tisdale is C.P.R. to Melfort, Canadian National to Tisdale, or a total distance of 214.5 miles, and it should move at a rate of 51¢ per hundred pounds. If the receiver of this tank car of gasoline is located on the C.N.R. right of way at Tisdale, then the movement must move via Yorkton and Canora (at the competitive rate of 57¢ per hundred pounds), or a distance of 287.3 miles. We see no reason why the shipper or the consumer is not entitled to the through rate on the combined shortest mileage, which would mean a saving of approximately 6¢ per hundred pounds as well as a much more expeditious service, to say nothing of the waste in hauling the tank car the additional miles to serve no useful purpose.

It is observed that sometimes exceptionally low rates are granted (mostly in Eastern Canada) by the railroads, to enable them to meet waterborn and/or truck transport competition. It is our contention that if, in certain areas, it is more economical in the national economy of the country to haul goods by truck or water, then the goods should move in that fashion. If there is any good reason -- in the national inter ts -- why railroads are allowed to break down rates to get business "for business' sake"; then the deficiency in operation should be made up by national subsidy, rather than increase rates elsewhere where no such competition exists.

To bring about the "streamlined" operations implied in the above suggestion, means a degree of co-operation and mutuality possibly never envisioned by the railroad officials. If this cannot be accomplished, then there is only one answer to the problem that faces us, and that is to amalgamate the two main railroad systems under one national system operating efficiently and economically in the interests of the Canadian people.

(Page 1261 follows)

Tomato juice - 24 x 2 (50 lbs.with crate) in Eastern Canada.

Former carload rate (rail portion 1.11 at 50 lbs		.56
Former distributing rate to Holdfast,..44 per 100 lbs - - - -		.22
		.78
21% increase	.16	.16
Wholesalers & Retailers mark-up 30% on cost - - - - - - - - - -		.05
Increased cost to Consumer 21. per case of 24, or approx. 1¢ per tin.		

Jam 12 x 4 (55 lbs. with crate) ex Mission,B.C.

Former carload rate 1.32 per 100 lbs. at 55 lbs - - - - - - - - - - - - - -		.73
Former distributing rate per 100 lbs. to Holdfast - - - - - - - - - .44		.24
		.97
21% Increase - - - - - - - - - - - -	.20	
Wholesalers and Retailers mark-up 30% on cost - - - - - - - - - - -	.06	
	.26	

Increase per 4 lb. tin over 02¢.

Salt - Common, Basis per 100 lbs) ex Neepawa,Manitoba

Former carload rate 29¢ per 100 lbs.		.29
Former distributing rate to Lake Lenore .30¢ per 100 lbs.		.30
		.59
21% increase - - - - - - - -	.12	
Wholesalers and retailers markup 25% on cost - - - - -	.03	
Increase to consumer per 100 lbs. - - - - - - - - - - - - -	.15	

Fish Meal (per 100 lbs) ex Vancouver

Former carload rate per 100 lbs. ex Vancouver		.62½
Local distributing rate to Lake Lenore 30¢ per 100 lbs.		.30
		.92½
21% increase - - - - - - - - - -	.19	
Wholesalers and retailers markup approx 30% on cost - - - - -	.06	
	.25	

Oyster Shells (per 100 lbs)

Former carload rate (Canadian portion) 30¢ per 100 lbs - - - - - - - - - - -		.30
Local distributing rate to Lake Lenore 30¢ per 100 lbs - - - - - - - -		.30
		.60
21% Increase - - - -	.13	
Wholesalers and retailers markup 30% on cost	.04	
Increased cost to consumer per 100 lbs - - - - - - - - - - - -	.17	

Mr. Fowler

Binder Twine

Former carload rate per 100 lbs ex Lakehead		1.11
Local distributing rate to Holdfast 44¢ per 100 lbs - - - - - - - - - - - - - -		.44
		1.55
21% increase	.33	
Wholesalers and retailers markup 25% on cost	.08	
Increased cost to consumer per 100 lbs	.41	

Coal - ex Drumheller

Former freight per ton to Saskatoon		2.80
Increase per	.25	
Wholesalers & Retailers mark-up of 20% on cost	.05	
	.30	

Lumber (approximately 2,500 lbs.per M)

Former carload rate .50¢ per 100 lbs or		12.50 per M
21% increase on 12.50	2.63 per M	
Wholesalers and retailers markup of 35% on cost	.92 per M	
Increased cost to consumer	3.55	

MR. MacPHERSON: Q. In your memorandum you show the impact of the 21 per cent increase?

A That is right.

Q I will not go over it in detail, but taking some of the items, in the matter of tomato juice it shows that the 21 per cent increase in rates meant an increase to the consumer of approximately one cent per tin?

A That is right.

Q In the matter of jam it was two cents per 4-pound tin?

A That is right.

Q In the matter of salt it was 15 cents per 100 pounds?

A Yes.

Q In the matter of fish meal it was an increase of 25 cents per 100 pounds?

A Yes.

Q In the matter of oyster shells it was 17 cents per 100 pounds?

A Yes.

Q Those last two items are important in the matter of poultry feeding in the province?

A Yes.

Q You handle quite a quantity of those?

A Yes.

Q On binder twine there was an increase of 41 cents per 100 pounds?

A That is right.

Q Coal increased 30 cents per ton?

A Yes.

Q And lumber increased $3.55 per thousand board feet?

A Yes

Q And that is all on the basis of the impact of the 21 per cent increase which became effective a year ago last April?

A That is right.

MR. MacPHERSON: Your witness.

CROSS-EXAMINATION by MR. COVERT

Q On the question of duplication of effort referred to at the bottom of page 2 and on pages 3 and 4 of your brief, I should like to find out what your views are on

this point. If it means that the railway by doing so loses business, because of the doing away with competition, you nevertheless feel that they should go through with the pooling of effort and elimination of duplication?

A Yes, we definitely feel that. I think an examination might show, to use an old phrase, that as the organ grinder said what you lose on the peanuts you make up on the bananas. It might balance up. One railroad would lose at one point and the other would lose at the other. The net gain would be that the people would have their goods transported over the shortest route at the lowest possible rate.

Q You feel that the railways are perhaps in a little different position than ordinary business where they might feel it was necessary to meet competition in order to get business themselves. What I am trying to suggest to you is that you are submitting that the railways are different from ordinary business in that respect?

A Slightly different by reason of the fact that there are only two major railroads. The problem might become more complex if we had fifty railroads.

Q And the same with respect to competition by trucks or ships. You say if that is the more economical way to carry the goods the railways should cease competition and perhaps nearly go out of business in that area. Do you go that far?

A Yes, I think that is fair. Of course, you put it that they would go out of business in that area. I doubt if that would happen, but if the truck rate at a

point is 15 cents and the railroad costs are 25 cents to haul and they are losing money at that, where does the money come from? Those areas that do not benefit by such competition are paying the shot, and we in western Canada feel that we have been called on to pay several shots.

Q Those are your views?

A Yes.

Q And on the final point, dealing with amalgamation, have you any views to express to the commission on that? Is it possible that by amalgamating the two railways that in the result it would be such a large operation that it might be difficult to handle? Is it conceivable it might lead to inefficiency because of the very size?

A I do not see why it would. If we take the converse then I think we would have to argue that our present railroads - one of them makes the statement that it is the largest system in the world. If it is too large it should be broken down. If it is wrong to go this way then we should be going the other way.

Q You do not feel then that an organization can be too large?

A I do not see why it should be. There are disadvantages, but I think the disadvantages would be more than offset by the advantages.

MR. COVERT: Thank you.

COMMISSIONER INNIS: I wonder if we could have information as to the class rates of these commodities.

THE WITNESS: If you wish that schedule completed with the class rates that can be done by our traffic department and sent to the Commission. It is your wish

that it be done?

COMMISSIONER INNIS: Yes.

THE WITNESS: All right, we will do that.

THE CHAIRMAN: Q. On the matter of amalgamation would you be fearful at all of the loss of competition between roads which must follow?

A Actually there is so little competition between the railroads now that if what little there is was eliminated I do not think the people would suffer. We are large shippers in the volume of business that we do. Last year it ran in the neighbourhood of $2,000,000. We actually find no competition between the railroads. Their rates are the same. Sometimes the determining factor is the ability of the traffic agent who comes to see us. He may be a brother-in-law of our traffic man, and possibly that gives him a little bit of weight, but we find no actual competition. The rates are the same. Sometimes the service may be a little better here or there because of personalities at a particular point, but we find no evidence of actual competition.

COMMISSIONER INNIS: Q. Would inter-~~mileage~~ traffic help?

A Well, I do not think it would here, but if the railroads - I was told one time that there is an Act that directs the railroads to cooperate together. I had never heard of it before, and I often wondered if the railroads did. I think the result could be accomplished by working together if they desire. You see in small towns - the reason I chose the town of Tisdale is that I lived there for a year or two, and the average layman

who probably does not understand the intricacies of freight rates, and who probably only knows competition enough to spell it, cannot help but see that here is waste effort and duplication. There is no question about it whatever. The people in that area are not getting any benefit from it.

THE CHAIRMAN: Q. What about employment? Would you get more employment than otherwise?

A Unquestionably it would mean the reallocation of employment. If that is a factor then probably we should abandon our steam shovels and go back to wheelbarrows. I myself suffered from reallocation of employment. When I was a boy I could not get all the education I wanted because my father was a carriage builder - he built them by hand - and better ways were found to build carriages. He went out of business and his family suffered, but we could not stop progress because we wanted to build carriages by hand. We probably would not have the automobile today if somebody had insisted that carriages still be built by hand.

CROSS-EXAMINATION by MR. FRAWLEY

Q Mr. Fowler, you say in your brief that there are forty-eight points classified as competitive points in Saskatchewan, and then on the next page you say that there are thirteen points where carload traffic is interchanged. Would you mind explaining that?

A We mention the town of Tisdale. It is a competitive point. Rates into that point are based on the lowest mileage, whichever railroad happens to have it.

Q First it is a competitive point because both railways serve Tisdale?

A Yes, but there is no interchange there.

Q I want to really explore that a little bit more. You give an example here of moving goods from Crooked River to Rose Valley. The map that my friend, Mr.Shepard, was good enough to give me shows very plainly that the red, the Canadian National, crosses the green, which is the Canadian Pacific, at Tisdale?

A That is right.

Q And it really forms an X right there at Tisdale?

A That is right.

Q You mean to say if you are bringing a car of goods from Crooked River into Rose Valley you cannot at Tisdale give it to the Canadian Pacific?

A No.

Q Why?

A Don't ask me that question.

Q Yes, I am, because you have been at this for a long time.

A If you want an answer from me it is an extreme extension of the competitive idea and the lack of co-operation between the railroads.

Q Let us follow that through. You say this car, although you cross at Tisdale - the Canadian Pacific and the Canadian National tracks actually cross?

A Yes.

Q And they have full service facilities of their own, have they?

A That is right.

Q But this car that is coming up from Crooked River on the Canadian National must go through Tisdale to Melfort, and then at Melfort it is given to the Canadian Pacific. Why is Melfort favoured for interchange when Tisdale is not? Can you answer that?

A I don't know. As we said, there are forty-eight competitive points, and there are only thirteen for exchanging inter-traffic. I don't know what forces the interchange of traffic except maybe the local board of trade or a lot of pressure, or just what has brought about the fact that the railroads have agreed that at thirteen points in Saskatchewan they would interchange cars.

Q Thirteen points where they interchange, and there are forty-eight where physically they could interchange?

A Yes, and there are quite a number of points where the railroads converge or cross that are not listed as competitive points.

Q This car is turned over to the Canadian Pacific at Melfort. Let us see what happens. It is going to a place called Rose Valley?

A Yes, that goes down here.

Q The Canadian Pacific take it from Melfort down through a place called Watson almost to a place called Lanigan, to a place called Coop, and then at Coop it goes east to Swift Current, and at a place called Goudie it turns north, and it goes north almost back to Tisdale to Rose Valley?

A That is right.

Q That is because the Canadian Pacific and the Canadian National have no interchange facilities, as you call them, at Tisdale?

A That is right, and if they had interchange you would not get the benefit of the through rate, unless I am very much misinformed, and the railroad men will tell me if I am wrong. Even at the points where there are interchanges you do not get the through mileage rate. You get a combination of two local rates.

CROSS-EXAMINED by MR. EVANS

Q Mr. Fowler, is it your idea that these interchange points should be established under the direction of a statute, or under the authority of a Board, or how would you do it?

A I will be frank to say I would not know how you would do it. I would say possibly the Board of Transport Commissioners might be the ones, and I believe they can today.

Q Yes, I was going to suggest that to you.

A They can do that today.

Q Yes. You knew that the established principle laid down by the Board of Transport Commissioners in determining whether they shall order that an interchange point be established, is whether the convenience of the public requires it, and that the convenience of the public will outrun the convenience of the railways if it is strong enough. You knew that, did you?

A No, I don't know that I knew it exactly that way. In my own experience at Tisdale I approached the

railroads to see if an interchange could be effected, and I was told no. Probably I should have spent some time and effort to go to the Board of Transport Commissioners to try to force it, but I didn't. It would never happen unless there was a great deal of pressure, and that is the reason behind thirteen transfer points, and twenty-five or thirty-five that are not transfer points.

Q Then I suppose you understand at interchange points there is always a certain amount of delay?

A Oh, yes, but the delay in shifting from one track to another cannot be as great.

Q It depends on the train service, doesn't it? It depends on the train service on the line?

A Going all around by the back way also depends on the train service on the other line. I do not think there is any point there.

Q You do not think the train service is made to fit with interchange points?

A Well, if a train runs down to Rose Valley three days a week, or only one day a week, the first day it goes down it will pick up this car and get it there quicker than if it went around by Melfort and Goudie.

Q How much carload traffic actually moves from this point, Crooked River, to Rose Valley and vice versa?

A Frankly I doubt if there is very much. I used those points as a hypothetical illustration, but there must be many other points where traffic would be substantial, and if a rate was granted there might be much more movement. For instance, firewood comes off the Crooked River line and could go down to the other

line. There might be a considerable movement if there was a rate based on the mileage and on the convenience of the people.

Q But you understand to get that rate you would have to have a point of interchange established?

A Yes.

Q Then you understand too that if traffic warrants it and public convenience requires it the Board is prepared to order it?

A I presume that is correct; I guess it is correct. I get a little beyond my depth sometimes.

Q Quite, and I think it is good for you and I to discuss these things so that we both understand them.

A Yes.

Q With regard to the second example you give on page that is a very different matter, is it not?

A Is that the hypothetical movement of a tank car of gasoline?

Q Yes, from Regina. Your first point had to do with the movement between an exclusive Canadian National point and an exclusive Canadian Pacific point?

A Yes.

Q Through a common point?

A Yes.

Q And the ssecond example has to do with a movement that is competitive at point of origin and point of destination?

A Yes.

Q What you propose to do there, if I understand the example correctly, is to force one of the competing

railways to give up the traffic to the other at some point which would be fixed, having regard to the minimum total distance that you can find on the map?

A Yes, the goods would go most expeditiously in terms of the time factor and the mileage factor.

Q So that in effect you would have the Board determine whether one competitor gives up traffic, and at what point, to another competitor?

A Somebody should determine it but there is a point there. You say two competitive points. It is not full competition because if the user of the tank car of gasoline, if the recipient is located on one line then the competition is gone.

Q If I understand you correctly the recipient would have no difficulty by reason of your other regulation for interchange at all these points?

A Yes, if it is truly competitive in the sense that there was interchange at both points then that makes it a little different, but there being no interchange at Tisdale, if the recipient is located on the C.N.R. then the competition is gone because he must start it via C.N.R. from Regina.

Q Quite.

A And the C.P.R. is no good to him whatever as a competitive factor. It might as well not exist.

Q What I am putting to you is that you want to do two things. First you want to have an interchange point established, and then having got that you want the second stage of forcing the competitor to give to his other competitor the traffic at a pre-determined point

having regard to the shortest distance it could move?

A Yes; basically, as we have said in the initial part of the brief, considering the position of the railroads in our national economy, they are there to serve the people, and therefore the service should be over the shortest mileage so as to give the people the lowest possible rate. I also point out at the same time that at the present time these tank cars and trains and so on are running uselessly over a lot of miles wearing out rails and bearings and grease to serve no useful purpose other than this mythical competitive factor.

Q I think you and I understand each other now. You are really getting to the point where this approximates your amalgamation idea because if it is applied at a sufficient number of points you really reduce the competitive interest, and in effect cut out that competitive interest. Did I understand you correctly to say that you felt you had not in your experience observed the effect of competition between the railways?

A That is probably a very broad statement to make, but what competitive factor there is between the two railroads today is hardly discernible.

Q Do you not think there is very substantial competition in service?

A It varies with the personnel. I have operated at points on both railroads. In one place one railroad would be better. The local agent, boy he would go to town and give you good service, and at the next point it would be the other railroad that would do it.

Q I am thinking at the moment of train service.

If there is traffic developing and the two roads are competing for it do you not find that the train service tends to fit itself to that?

A There may be cases where, between two competitive points, one has a better schedule than the other. That may exist and probably does.

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Q. Yes. Now then, just to turn for one moment to your examples on page 5. My understanding from the first page of your brief is that youhave warehouses in Regina and Saskatoon both?

A. Correct.

Q. Are those warehouses disbributing centres for various kinds of goods inwhich you specialize.

A. Yes.

Q. Do you specialize?

A. To go into detail, briefly -

Q. I do not want you to go into detail.

A. We maintain hardware and grocery stocks; we maintain full stocks at other points; we maintainstocks to serve the people at both points.

Q. Is that the first example of tomato juice on page 5; that your movement from the east, of tomato juice to Saskatoon, at a carload rate?

A. I think it was a movement to Regina.

Q. If then the table has been worked out on the rates to Saskatoon, and Saskatoon to Colfax, if the rates to Regina had been taken, the division of the rates from Regina to the east, and the rates to Colfax, it would have produced a different result?

A. The unit point of Saskatoon would give you the same figure. The purpose of that was not so much to show that increased freight rates increased consumers goods, because that is obvious. It was an effort to show what 21 per cent on a range of commodities - as my traffic man has pointed out - if we had taken a point several hundred miles distant north we would have got the same result.

Q. I wondered why you selected Saskatoon for that, because it could move through Regina.

A. Yes, but you would still have the increase in the case, and on a tin of tomato juice.

Q. Yes, but you will understand that a 21 per cent increase - it will be something like 17 or 17½ cents per case.

A. That particular illustration may be a little faulty.

Q. How about example 2, the jam; wasn't that the same position.

A. Yes.

Q. That was a case where the rates via Regina would have been a little cheaper.

A. Did you check the balance?

A. I checked the binder twine, too, and to a minor extent, that was subject to the same pitfall. It is of no account.

A. No, it is not important.

MR. EVANS: Thank you.

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. In that schedule, Mr. Fowler, the mark-up is written up in each case on the freight as well, is it not.

A. That is correct; that is the general merchandising practice.

Q. I did not know that a co-operative would do it in that way.

A. We follow the general merchandising practice.

H

Q. As a matter of curiosity, is there any salt at Unity, Saskatchewan? I see you show a rate from Neepawa, Manitoba.

A. I do not think it is developed yet.

Q. At page 4 of your brief you put forth the contention that if in certain areas it is more economical in the national economy of the country to haul goods by truck or water, then the goods should move in that fashion. I assume that type of operation could be put into effect, but would it not necessitate some unified control of all transportation agencies throughout the country?

A. I presume our Board of Transport Commissioners have some control now, and that control might be increased.

Q. But they have control only over certain things. For instance, trucks in the different provinces - your proposition would necessitate the co-ordination of trucks with rail transportation?

THE CHAIRMAN: You are speaking of the powers of the Transport Board over trucks?

MR. O'DONNELL: No, Mr. Chairman. In the various provinces, the Transportation Commission have no control over trucks. I asked Mr. Fowler if he had any suggestions to make to the Commission to procure a recommendation to cover the suggestion whichhe makes there.

THE CHAIRMAN: In the case of truck lines running from one province into another such as from Winnipeg into Weyburn, has the transportation board taken over any jurisdiction?

MR. O'DONNELL: I do not think so.

THE CHAIRMAN: You say it is outside of the

Railway Act at present?

MR. O'DONNELL: Yes.

MR. EVANS: Mr. Chairman, a bill was introduced some years ago which was known as The Transportation Act; and in the form in which it was introduced, it contained a provision by which the Board of Transport Commissioners would have power to regulate international and inter-provincial highway operations. But the section dealing with the highway operation was taken out of the bill in the process of its going through Parliament. It was objected to by the provinces and also by certain groups in the highway industry.

MR. O'DONNELL: Q. Have you any ideas as to that because I understand the jurisdiction is divided between the Dominion and the Provinces, but on the basis you put forward, in order that it might be a workable proposition there would have to be unified control of all transportation services.

A. Possibly there would, I do not know.

Q. You have not looked into that aspect of the matter?

A. No.

Q. But you say that in the national interests you think there should be - that the establishment of a transportation agency would be best qualified to handle the traffic, and handle it most economically, and should get the business.

A. I think that the consumer is entitled to that.

Q. Just with respect to other agencies of transportation, other railways and trucks, in your view, should there be some control over truck rates and truck routes?

A. There is in this province now, and it seems to work out quite satisfactorily.

Q. To a limited extent only.

A. The only limitation is that privately owned trucks are not subject to the regulations. If I want to put a truck on the road to haul my own goods, I am not subject to the tariffs, and so on. We own a fleet of trucks and I think we are subject to nearly every other regulation that the Highway Act imposes. That is, to the best of my knowledge.

Q. Do you feel that the railways should not try to obtain traffic when they could procure at least their out-of-pocket expenses and apply them to make some little contribution towards their general treasury.

A. You get to a question of degree. I think the main point there is that sometimes that truck or water-impelled rate is at a loss and the deficiency must be borne out, if they can do it, at cost - possibly it should be allowed.

Q. According to your proposal, that type of competition would have to be controlled, checked and verified; and the agency which controlled it would have to see which facility should have the transportation of the traffic.

A. I am not so sure that control would be the answer to the point you envisage in your question, but I might be wrong.

MR. FRAWLEY: Q. Do you find that regulation of traffic tends to make the rates approximately those of the railway?

A. Very closely, I would say so.

COMMISSIONER INNIS: Q. Have you any relation to

the Wheat Pool?

A. The people who control our organization are, generally, the same people who control the Wheat Pool, but there is no interconnection.

MR. O'DONNELL: But there is the same physical personnel.

MR. MacPHERSON: Q. There is no interlocking?

A. No.

MR. MacPHERSON: Thank you, Mr. Fowler.

MR. COVERT: The next submission is that of the Regina Local Council of Women, Mr. Chairman.

MRS. MARY THOMSON, called

MR. MacPherson: Q. Mrs. Thomson, you are giving evidence on behalf of the Local Council of Women in the city of Regina?

A. Yes, I am.

Q. And the Local Council of Women is, in itself, an organization of a number of other women's organizations in the city of Regina?

A. Yes, it is.

Q. And you wish to present this brief to the Commission?

A. I do.

Q. Will you please do so?

H

Mrs. Thomson

THE WITNESS:

Mr. Chairman and members of the Royal Commission: The Local Council of Women is an organization that is truly representative of women as its membership is drawn from women of all political parties, all economic groups, many racial groups, and various religious denominations. There are 43 women's organizations affiliated with the Council which in turn, is a member of the Provincial Council of Saskatchewan, and the National Council of Women of Canada.

As we indicated in our previous brief, given before the Board of Transport Commissioners, the Local Council has always been deeply concerned with all matters affecting the economic life of the people of Canada, and has been particularly interested in the field of Child and Family Welfare. Thus the study of Nutrition has formed an important part of the work of our Council. During the depression years, every effort was made by the Council to assist in family welfare. Classes in nutrition were organized in all sections of the city in co-operation with the Red Cross and the City Council, to help families maintain the best possible nutritional standards on the small amount of money that was available.

During the war, Councils all across Canada did a great deal of work on Consumer Education, in support of the price control policy of the Government, in an attempt to avoid inflation.

It will readily be understood that any development which threatens the maintenance of a high

standard of nutrition among the people of Canada, and of Saskatchewan in particular, is a matter of serious concern to the Local Council of Women. This concern has prompted the Regina Local Council to prepare this Brief to be presented to this Royal Commission on Transportation.

Q. Now, there is a second part, dealing with the effect on nutrition of Saskatchewan's geographic and economic position?

A. Yes.

Q. Will you kindly proceed?

A. The geographic position of Saskatchewan has placed her at a disadvantage with respect to transportation, and this, in turn, has affected the nutritional standards of her people. It should be remembered that in our province, unlike the Eastern provinces or British Columbia, it is impossible to raise and store sufficient fruits and vegetables for winter use, owing to our severe climatic conditions. Consequently, we are forced to bring in, over a long haul, those products so necessary for good health, such as canned goods, fresh fruits and vegetables. The cost of importing these healthful foods has contributed to the high cost-of-living in our province and consequently to lower than desirable nutritional standards, particularly of our low-income groups. This condition is of greatest concern to us as a Council, for our interest in Child and Family Welfare has been continuous since the inception of our organization.

Nutritionists agree that a diet which will satisfy hunger may be totally inadequate for health.

Such a diet results in poor physique and deficiency diseases. This fact was borne out during World War II, when 40 per cent of the Canadian recruits were unable to qualify for military standards of physical fitness, partially due to previous dietary deficiencies arising out of a general condition of economic hardship.

Surveys have shown that from 25 per cent to 45 per cent of an average family income is required for food alone. According to the Dominion Bureau of Statistics as at April 1, 1949, the food index in the cost-of-living had increased to 198,5 compared to 99.3 as at August 1, 1939. The Council believes therefore that any adverse change in the economic situation of our province will only create greater hardship and add to the ever present danger of malnutrition.

During the period of discontinuance of price controls and subsidies, the cost-of-living rose to an all-time peak of 159.6 (October 1, 1948 and November 1, 1948, January 3, 1949). We submit that no answer has been found by economists as to how a minimum standard of living and of nutrition can be maintained by the average family in the face of these rising costs. Remembering that price controls and subsidies worked in favour of the low-income groups during the war we as a Council, feel that the removal of geographic disadvantages now reflected in the rate structure would help to balance the situation in peacetime. This is particularly true in Saskatchewan where we are more dependent on rail transportation of foodstuffs, than are other provinces.

Milk has long been recognized as the perfect food, and should be made available for everyone at a reasonable price. In Regina, where much of our supply of this product has to be brought in by rail from points as far distant as Grenfell (80 miles east) the consumption of milk has decreased since the milk subsidy was removed and the increase in freight rates was allowed. We feel that some measure of relief with respect to transportation costs would permit low-income groups to obtain this healthful food and thus raise their nutritional standard of living.

The following table gives the minimum standard of living for a family of 2 adults and 3 children, as established by the Canadian Medical Association and the Welfare Council of Toronto (1944). This table has been adjusted for Regina prices.

Q. Now the table, which will be read in, is a table which you say you have taken from the "Welfare Council of Toronto" and the Canadian Medical Association", and it shows $176 per month or $2,112 per year?

A. Yes.

MINIMUM STANDARDS FOR TWO ADULTS AND THREE CHILDREN

Amount budgeted	Per Month	Per Year
Food	$ 65.00	
Clothing	24.50	
Rent- Wartime Housing	30.00	
Household Repairs Light, Water, Heat	25.00	
Advancement Church, Magazines, Music lessons, clubs, etc.	15.00	

Health Insurance Medical Care	11.00	
Savings and Insurance	5.50	
	$ 176.00	$2,112.00

With the above table in mind, we should like to refer to a statement quoted in our previous brief to the Board of Transport Commissioners. This statement was made by Mr. Abbott in his budget address of April 29,1947 (Hansard, page 2621) and we believe that the picture of the number of low-income families has not changed materially since then.

> "The exemption levels established last year are high enough to exempt completely from tax, more than half the people earning incomes in Canada. Consequently it can be said that any person who pays income tax now, has more than an average income, taking his or her marital and dependent status into account."

Thus it appears that many families have incomes which fall short of the amount needed to enjoy all the so-called necessities of life, which include proper nutrition. It also appears that just as the Family Allowance was a device used to equalize the advantages that children could enjoy, so might a further contribution to the equality of opportunity be secured by a more equitable distribution of transportation costs.

There are, moreover, other groups whose health is adversely affected by the existing high cost-of-living. These are the people on fixed incomes, such as those receiving Old Age Pensions, Mothers' Allowances,

War Widows' Pensions, Workmen's Compensation Pensions and War Veterans' Allowances.

It has been stated in Professor W. T. Jackman's "Economic Principles of Transportation" that,

> "The influence of railway rates is all-pervading. If these rates are unduly burdensome, the tendency is to slow down the entire machinery of production and to put upon consumers the pressure of high prices. The consumers feel this burden in everything they purchase to eat or to wear, to use or to enjoy; for usually high freight rates are accentuated all along the lines of distribution by which the commodities finally reach the consumers, and a small increase of freight rate is usually preliminary to a very much larger increase of price to the ultimate consumer."

Realizing the truth of this statement the Local Council of Women would urge the Royal Commission to recommend some measure that would more equitably distribute the freight burden throughout Canada.

Respectfully submitted,

LOCAL COUNCIL OF WOMEN
REGINA

MARY A. THOMSON
(Mrs. E. E. Thomson)

MR. MacPherson: Your witness, Mr. Covert.

CROSS EXAMINATION BY MR. COVERT

MR. COVERT: Q. Could you tell the Commissioners, Mrs. Thomson, the basic items of nutritional diet in which the province is deficient.

A. Yes. I have mentioned them in the brief. One is canned goods; another is fresh fruits and vegetables.

Q. When you say canned goods, I was wondering if that would be canned fruit juices.

A. Yes, that includes canned fruit juices and canned vegetables and canned baby foods which are so necessary for the health of our infants in the province.

Q. And would you get them mainly from the east, or would some of them come from the United States?

A. We get them from both places that you mention but we get a great deal of it as well from BritishColumbia.

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Q. From British Columbia?

A. Yes, but we have them from Ontario, and from British Columbia as well.

Q. You have not any figures?

A. I have not any figures to show which, but I would imagine that it would be more from Ontario,naturally.

COMMISSIONER INNIS: Q. The United States?

A. Oh, yes -- no, not as much from the United States; mostly from Canada itself.

MR. COVERT: Q. Now, at the time of the ceasing of the milk subsidy -- I think that is referred to on page 5 of your brief -- were there any figures available to show whether or not the use of milk had dropped substantially?

A. I think the dairy people in the city had figures to prove that at that time. Perhaps Mr. MacPherson could speak to that.

MR. MacPHERSON: Yes, I think they have. I can get that information. There was a drop.

MR. COVERT: If the Commissioners would be interested in figures showing the drop in the use of milk after the subsidy ceased, and if they had any figures showing a further drop which you indicate in your brief after the raising of the freight rate ---

THE CHAIRMAN: I beg your pardon.

MR. COVERT: A further drop in the use of milk after the increase in freight rates. I think you said:

> "The consumption of milk has decreased since the milk subsidy was removed and the increase in freight rates was allowed."

THE CHAIRMAN: Has the increase in freight rates been shown to have increased the price of milk? That is the question. I assume that means the consumption of milk would lessen, on account of the increased price of it; is that it?

MR. COVERT: Q. Do you know whether the price of milk was increased?

A. Yes.

Q. After the 21% increase in freight rates?

A. I understand it was increased after that.

MR. MacPHERSON: I will be glad, Mr. Chairman, to file with the Board orders of the Milk Control Board of Saskatchewan. There were a number of factors; it would be unfair to say it was entirely freight rates, but there was a question of subsidy, and on the basis of various factors there was an increase in the price of milk; and I think -- I am quite sure -- that in the Board order these factors are all referred to, including freight rates. I will have these filed with the Board.

MR. COVERT: Q. In the second paragraph on page 6 of your brief, Mrs. Thomson, you say:

> "It also appears that just as the Family Allowance was a device used to equalize the advantages that children could enjoy, so might a further contribution to the equality of opportunity be secured by a more equitable distribution of transportation costs."

Now, would it be a fair question to suggest that perhaps social legislation is a better method of doing that than

adjusting the freight rates? Would you like to express an opinion on that?

A. Well, I would rather not.

Q. That is all, thank you.

MR. O'DONNELL: No questions.

MR. MacPHERSON: No other questions? (No response).

MR. COVERT: The next submission, Mr. Chairman and members of the Commission, is that of the United Farmers of Canada (Saskatchewan Section).

GEORGE R. BICKERTON, called

THE WITNESS: Honourable Chairman and Commission members, on behalf of the organized farmers of Saskatchewan, may we first express our sincere appreciation for this opportunity to present our views upon the matter of transportation costs, particularly on farm products and essentially required goods, as all such costs have a direct bearing upon the living and operational standards of all agriculturalists.

By way of information to members of the Commission, may we state that the United Farmers movement of this province originated in 1901, and has functioned continuously as an educational and creative body since that time under the following names: - Territorial Grain Growers Association; Saskatchewan Grain Growers Association; Farmers Union of Canada, and the United Farmers of Canada -- Saskatchewan Section Limited.

We have no desire to repeat statistical and other information that was contained in a submission

presented to the Board of Transport Commissioners on June 10, 1947, in the city of Regina, but rather for the purpose of expediency we refer you to that submission and hereto attach copy of same.

MR. MacPHERSON: I file this as an exhibit.

MR. COVERT: That will be Exhibit 15.

EXHIBIT NO. 15 -- Submission of United Farmers of Canada, Saskatchewan Section, to the Board of Transport Commissioners of Canada, Saskatoon, Sask.,June 9, 1947.

COMMISSIONER INNIS: Do I understand that is the same brief as June 9, Saskatoon?

MR. MacPHERSON: That is right; the same one.

MR. O'DONNELL: I think it was presented, too, here; it was written in Saskatoon.

MR. MacPHERSON: Dated at Saskatoon.

MR. O'DONNELL: Presented here on the 11th of June, 1947.

MR. MacPHERSON: That is right.

MR. O'DONNELL: As a matter of fact it will be found, for convenience -- if my friend will not object -- in Volume 759, beginning at page 7524.

MR. MacPHERSON: I won't object this time.

Q. Go ahead, Mr. Bickerton.

A. Nor is it our intention to again argue the merits or demerits of the cases of the Railway Companies for higher freight and other charges and tolls, as these matters are under the jurisdiction of the Board of Transport Commissioners. We will endeavour to confine

our submission to a few simple statements and figures to show the disadvantageous production position of Saskatchewan farmers particularly, and the difficulty they have in meeting their present burdensome operation costs. It has been long and widely known that Saskatchewan is the premier wheat growing province in Canada, and that we usually grow about as much of that grain in a year as all other Canadian provinces combined, but few indeed, seem to be aware of the huge acreage required to produce that volume. The following records and comparisons on wheat, oats and barley will illustrate.

MR. Macpherson; Well, those figures will be taken into the record.

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Saskatchewan	1947	All other provinces
Wheat acreage	14,226,000	10,034,400
Total production	173,000,000 bushels	168,758,000 bushels
Yield per acre	12.2 bushels	16.8 bushels
Oat acreage	3,983,000	7,065,500
Total production	80,000,000 bushels	198,670,000 bushels
Yield per acre	20.1 bushels	28.1 bushels
Barley acreage	2,780,000	4,685,000
Total production	45,000,000 bushels	96,372,000 bushels
Yield per acre	16.2 bushels	20.6 bushels
	1948	
Wheat acreage	14,389,000	9,716,900
Total production	191,000,000 bushels	202,345,000 bushels
Yield per acre	13.3 bushels	20.8 bushels

Oat acreage	3,652,000	7,548,500
Total production	89,000,000 bushels	269,807,000 bushels
Yield per acre	24.4 bushels	35.7 bushels
Barley acreage	2,316,000	4,179,300
Total production	42,000,000 bushels	113,018,000 bushels
Yield per acre	18.3 bushels	27.0 bushels

MR. MacPHERSON: What the figures show is that Saskatchewan in 1947 had 14,000,000 acres of wheat acreage, and all the other provinces of Canada excepting Newfoundland, which we did not have then -- but I think their acreage is not very great -- had 10,034,000. The total production was 173,000,000 in Saskatchewan, 168,000,000 in all other provinces.

In oats, the acreage in Saskatchewan was 3,900,000, and all other provinces over 7,000,000. The oats acreage was much higher. Our production was 80,000,000, as against 198,000,000 in the other provinces. Our yield was 20.1 as against 28.1 in the other provinces.

Barley, likewise, our acreage was lower; that was 1947. In 1948 we had an acreage of 14,000,000, as against 9,700,000 in all the other provinces, with a production of 191,000,000 as against 202,000,000 in the other provinces. Our yield that year was 13.3 only, as against 20.8 in the other provinces.

Likewise it shows that in oats and barley acreage the other provinces combined had more acreage than we had.

THE WITNESS: The figures in the above tables are the latest available from the Dominion Bureau of

Statistics.

We present these figures mainly to show the per acre yields of grains in this province as compared with yields of similar grains produced in the other provinces, and to indicate therefore the narrow margin there must be between farm cash income from such low yields to meet the costs involved in maintaining an adequate level of operational management. The illustrated yields for 1947 and 1948 are by no means exceptional years. Indeed, it can be truthfully stated that Saskatchewan's agriculture always borders on the line which decides whether we will get a crop or a crop failure.

While the illustrated crop yields may seem to be low, more than 50 per cent of our province, the arid and semi-arid areas, has yielded a long time average of less than ten bushels of wheat to the seeded acre.

A further illustration to this low yield situation is reflected in the large number of Saskatchewan farm producers who have received Prairie Farm Assistance each year since the P.F.A. Act was inaugurated.

Reporting in the press on Prairie Farm Assistance for 1948, Director R. G. McGregor reveals that 354 Manitoba and 7,930 Alberta farmers shared in the benefits to the amount of $1,680,280, but 44,660 Saskatchewan farmers will receive $11,112,671 "grocery and clothing money to tide them over until

the next crop." Thus two out of every five farmers in this province will receive assistance averaging slightly less than $250.

Much has been said and written about western farmers having become wealthy during recent years. It is quite true that a mountain of farm debt which was started prior to 1930 and accumulated rapidly during the 1930's was largely liquidated mainly between the years 1942 and 1945.

The Dominion Bureau of Statistics published early last year a report resulting from an intensive survey of Saskatchewan farm income in 1946 classifying income groups.

The report records that on June 1, 1946, there were 125,612 occupied farms in Saskatchewan of which 120,773 reported on products sold or products consumed by the farm household. The total value of farm products sold plus the value of farm products used by the farm household gives an approximate measure of gross farm income.

MR. MacPHERSON: We can read into the record, I think, Mr. Chairman, the first paragraphs on page 4.

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Of the total number of occupied farms, 2,113 farms or 1.7% reported a total value of farm products sold or consumed by the farm household of $1 to $99; 5,285 farms or 4.2% - $100 to $249; 5,964 farms or 4.8% - of $250 to $399; 8,912 farms or 7.1% - $400 to

$599; 17,320 farms or 13.8% - of $600 to $999; 19,884 farms or 15.8% - of $1000 to $1,499; 27,101 farms or 21.6% - of $1500 to $2,499; 19,138 farms or 15.2% - $2,500 to $3,999; 9,451 farms or 7.5% - of $4000 to $5,999; 4,426 farms or 3.5% - $6000 to $9,999 and 1,179 farms or 0.9% with farm products sold or used valued $10,000 or more.

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THE WITNESS: NOTE: The above statistics indicate that approximately 47.4% of Saskatchewan farmers had a gross income of less than $1500 and 69% grossed less than $2500, on the other hand 11.9% had a gross income averaging over $4,000. We believe these figures are a fair reflection of gross farm income position of this province in one of our better years and although there are 15,056 farms in what may be considered in the high income group -- that is from $4000 and up -- it must be remembered that their expenses will also be proportionately high.

Our situation therefore is quite obvious and is aptly stated by Frank Shefrin in the 1948 May issue of the Dominon Department of Agriculture's Economic Annalist.

Mr. Shefrin states "measured in terms of cash income, Ontario and Saskatchewan are the most important agricultural provinces in Canada. However, the province of Saskatchewan is dependent mainly on a x single crop -- wheat -- and is therefore subject to a greater degree of income instability than Ontario."

Diversification in Saskatchewan must come through live stock and live stock products. For a

variety of reasons income from live stock has been higher than formerly in relation to the total for a period of years. During the 1930's drought conditions in the large grain producing provinces of Canada, coupled with low prices reduced the income from grain and the liquidation of animals because of lack of feed temporarily accentuated the income from live stock. Following the drought period war conditions curtailed the demand for grain as such, and a good deal of the grain piled up or was fed to stock for which there was a more active demand due to the various meat contracts. The apparent shift to live stock it would seem resulted from these conditions rather than reflected a basic trend.

During the early war years live stock including hogs began to hit a record high level and reached its peak by 1945. However, the decline in live stock population in Saskatchewan since that year has been as rapid as was the rise and it would appear that the bottom is not yet reached as indicated by the following live stock population figures as at June 1, 1948, with comparative figures for 1947 in brackets.

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MR. MacPHERSON: Then these figures can go in.

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Saskatchewan

Milk cows 387,000 (393,500)

Other cattle 638,900 (673,500)

Calves 410,000 (444,300)

Sheep and lambs 253,300 (285,300)

Hogs 396,100 (558,300)

MR. MacPHERSON: The figures show that in milk cows, other cattle, calves, sheep and lamps, and hogs, there has been a substantial decrease in population in the one year.

THE WITNESS: Yes.

A drop of 269,000 animals in one year, thus reducing the total in the province as at June 1, 1948, to 2,085,900 is a tragic drop in a province that should seek to increase its live stock population rather than to allow the number to decrease.

Three main factors stand out as logical reasons why this province should increase its live stock population.

(1) An economy largely depending upon wheat production is subject to great variability of income, and live stock production to the extent practicable would tend to broaden the base of our economy.

(2) Much of the cultivated soils of the province has become marred to an unhealthy degree by wind and water erosion. A great deal of the affected land should be seeded down to grass, to rebuild back into the soil the humus and fibre necessary to plant life and prolonged soil fertility.

(3) Our nearness to the United States with her rapidly increasing population will ere long enable our western plains to become an essential production source of animal products to supply our American neighbours.

With this knowledge that is generally known by the farmers of the province, why is there the continuous decrease in live stock numbers? Many reasons

for this regrettable condition have been advanced, such as income taxation, freight costs, price and market insecurity, fear of lower prices and drought conditions which affect the feed supply in some areas.

It is not our intention to analyse each or all of these possible reasons other than to say that any one may have been the factor which decided reduction or disposal of entire herds by individual farmers, but it is our considered opinion that the higher and relatively inflexible transport costs coupled with the probability of lower prices have in a measure, determined reduction of farm animals.

The margin between profit and loss on any farm product in this province is so slim that any additional cost -- however, small -- can make the profit margin disappear entirely. Farmers have therefore largely cut down their live stock to foundation numbers. We trust the foregoing has shown the production disadvantages of Saskatchewan which situation is greatly aggravated by comparative high transport cost on nearly all our products and similar high cost on nearly all our domestic and farm operation requirements.

We have to contend with the long railway haul mainly to and from eastern cities and ports, all of which decreases the price we receive for our products and adds to the price of our purchasing needs. In this respect we have some hope in reducing charges and costs to some degree by a wider use of the Hudson Bay Railway and Port Churchill.

We have previously submitted our protest of the 21 per cent freight rate increase now in operation and also the further increases applied for and we herewith reiterate those protests.

(Page 1302 follows)

We fully recognize and believe that when rates become established at a new high level there is little or no prospect that a general downward revision in freight rates would keep pace with falling agricultural prices. While agricultural product prices, during the years from and including 1945, up to the end of 1948, were maintained at about parity levels with farm operation and living costs, the downward price trend in farm product prices is now, however, in clear evidence, with further reductions in sight.

The International Wheat Agreement has now been signed at about 40 cents per bushel below the market price prevailing at the time of the beginning of the signing of the agreement. Rye prices have dropped to about 28 per cent of the previous $4.42 record high for that grain. The government support price of $4 per bushel for flax is to be removed and prices are expected to drop below that figure. Butter prices in the month of March dropped about 11 per cent, and as previously inferred, that is only the start of falling prices.

We are, therefore, faced with a situation which clearly shows reduced prices for farm products with the prospect of yet lower prices on the one hand, and on the other hand continuing high prices of required goods and services, none of which reflect comparative reduction but rather indicate a desire to further increase prices and charges to producer-consumers for essential goods and services.

With our many disadvantages in mind we submit that it is unfair that producers in Saskatchewan should be

further penalized because of geographic location and contend therefore that a properly balanced freight rate structure should be on a nationwide basis but that the more advantageous parts of the nation should bear a share of the transport cost load now borne by those who unjustly suffer through geographic disadvantages.

We further submit that in the matter of considering railway freight rate increases at any time, to even suggest an horizontal increase over the entire system is a very unintelligent approach to such a problem in a country so vast in area as Canada.

In conclusion, Honourable Chairman, and Members of the Commission, we sincerely trust that you will, when making your decisions and recommendations, keep in mind that to establish a freight rate structure beyond the ability of agriculture to maintain can harm both the industry and the transport system.

MR. MacPHERSON: Your witness.

CROSS-EXAMINATION by MR. COVERT

Q Mr. Bickerton, as to the acreage figures that you give, would you tell the Commission whether or not there are submarginal areas of any great extent in the province of Saskatchewan?

A Naturally that really has quite a big bearing upon those figures.

Q What I am trying to arrive at is that is possibly the reason that the yields per acre in Saskatchewan are below those of the other provinces?

A Oh, yes, unquestionably.

Q Is that the main reason?

A Yes, that is the main reason. I mention there that over 50 per cent of our province would show a yield over a long period of less than 10 bushels to the acre. My farm happens to be in one of those parts of the province so that I know. I think that the Minister of Agriculture of this province, who apparently has better statistical information at hand than I have got at the present time, makes a statement which I think is fundamentally correct that there are about 35,000,000 acres of land under cultivation in the province, and of that 35,000,000 acres there is about 8,000,000 of high quality land in the province. I think that tells a lot of the story. We can pretty well name them, the Regina plains, the Rolestone plains, Melfort and that country in there, and the best of the country up by Lloydminster.

THE CHAIRMAN: Q. How many acres did you say?

A About 8,000,000 acres.

MR. COVERT: Q. That is the good area?

A Yes, those are the good quality areas of our province, and the rest is anywhere from what you might call good to anything that you like to call it. I might quote figures that are very old, but it was a fifteen year survey that was taken away back, and they illustrate the point. At one particular place in the province called Pathlow north of Prince Albert, north and east of Prince Albert --

MR. MacPHERSON: Near Melfort.

THE WITNESS: Near Melfort. The fifteen year record in there for wheat production is 22 bushels to the acre. The extreme at the other end was at a place called,

spare the name, Happy Land, down in the southwest portion of the province. The record for that area for the same fifteen year period was 3.4 bushels to the acre. We have all those extremes, and that is responsible for the low yield.

Q There was one other point that I wanted to ask you about and that was whether or not possibly the prices that are obtained for grain tend to take people away from the production of livestock. The reason I ask that is that Mr. Turnbull of the Saskatchewan Dairy Association, at page 815 of the evidence given here on June 7, said that there was a lack of interest on the part of the --

THE CHAIRMAN: A lack of what?

MR. COVERT: A lack of interest on the part of the dairy producers in a grain producing province, intimating that was so when prices were good for grain.

Q What would you have to say about that?

A There is no question that in a number of cases - I would say in a good many cases - where a man has taken certain steps in the field of dairying, he has gone so far and has got what you could call maybe a foundation herd. He might have a matter of about a dozen or fifteen head of milk stock cows, but he has mainly been engaged in the work of grain growing. Then something happens. Perhaps the price of dairy products is depressed. It does not matter what causes it. His machinery is definitely geared up for one thing, and that is grain production. He has not yet, and indeed I believe you might almost say the dairy people of Canada have not yet had an opportunity to get themselves geared up to a high state of dairy production.

What I mean by that is that if you are going to move from one branch of an industry to another, in order to get moved into that other branch of the industry there must be at least the cost of production and a plus. Therefore it is not going to encourage him to get into it because it costs a lot of money if you are going to build up a herd and put in the machinery necessary to move into the machine type of dairy production. In order to do that you would not only have to have the cost of production; you would also have to have a plus. If youdo not even get the cost of production you are going to switch away. You are going to eliminate some of your cattle herd and move back into wheat production because it looks the best.

Q If you are getting good prices for your wheat it may be very easy to attract you out of the dairy business into the wheat business?

A It can affect it very quickly in this province particularly.

Q It would be quite a problem in this province?

A Yes.

Q That brings us to paragraph 3 on page 6 of your submission where you say:

"It is our considered opinion that the higher and relatively inflexible transport costs coupled with the probability of lower prices have in a measure determined reduction of farm animals."

A Yes, I would say that is true.

Q Is it a fair question to ask, in view of this statement, whether you are really suggesting that railway

rates be flexible?

A No, I did not say that railway rates should be flexible. I said that inflexibility is one of the factors that has caused the situation here. There has been an increase in the freight rates. Freight rates have gone up. We do not see any possibility of them coming down. We contend it is one of the factors that eliminated that slim margin of profit which may keep a certain bunch of people in one line of operation.

Q I follow that, but what I am trying to find out is if you have any suggestions as to what recommendations should be made about a matter of that kind. I thought perhaps you meant that with regard to an industry which is so important in your province that perhaps you were saying that the rates should be flexible, and when you are receiving a small price for your product the rates on freight should go lower, and perhaps as a necessary corollary in good times they would be higher. Would you go that far?

A If you are to have freight rates follow in conformity with the rise and fall of production yield and production prices it would have the railway people dizzy.

Q That is what I would think. Have you any suggestion?

A They have their problems, and we fully recognize they have a problem there. It is not our responsibility to work out their problem. We are trying to work out our problem, and we hope by reasoning one with the other we may be able to work out the problem of both cooperatively. I do not know whether or not we can, but

this is just a suggestion. I think I mentioned in the previous brief one suggestion, and that was if one of the railway companies has to be financed in a different way to the other, and if that one railway finds it cannot find a way to finance itself and pay what its capital cost is, then possibly the government ought to give consideration to bringing the two of them together and controlling them all. When all is said and done, regardless of how it was built and who built it, it is a public utility, and as a public utility it is there for the purpose of serving the people. If it cannot serve the people and earn a profit on the capital invested then it is the responsibility of all of the people of the Dominion of Canada.

Q There is just one more point I want to deal with, and it is in the next to the last paragraph on page 7 of your brief in the last part of which you suggest that the more advantageous parts of the nation should bear a share of the transport cost load now borne by those who unjustly suffer through geographic disadvantages. There have been submissions made to the Commission suggesting that they are entitled to any geographic advantage which they have. For example, I think the Winnipeg Board of Trade urged that strongly. I suggest that perhaps they would feel it was very unfair if that geographic advantage was taken away from them. What would your view be on that?

A Well, as I have tried to point out in the brief, we work on a very small margin as compared with other provinces. We happen to be the central province of the

Prairie Provinces, and indeed almost the centre of the Dominion of Canada. If the freight structure can be established in that way that it can create a reduction as you get into the central part of the dominion, where goods are going to the east or going to the west, surely to goodness people who are at a geographical disadvantage should have some consideration in the setting up of the freight structure. That is just our reasoning on the matter. Again I am going to say I have not got the advantages of those gentlemen there near yourselves. I am not a freight rate expert. I will take you out in the fields and drive a binder along with you.

MR. O'DONNELL: There is more fun doing that.

MR. COVERT: Thank you very much.

THE CHAIRMAN: Any questions?

MR. SINCLAIR: I should like to draw the attention of the Commission to the table on page 158 of Exhibit No. 7. It is a rather interesting table and shows the estimated cash income in thousands of dollars for various farm crops from 1931 to 1947. I also draw the attention of the Commission to the statement in the budget address, which is Exhibit 6, as to the prosperity in 1948. I have one question.

CROSS-EXAMINATION by MR. SINCLAIR

Q Do you consider that the grain rates are too high?

A No, we have never considered that the grain rates were too high. We fought like the dickens to get them at what they are, and then they were pinched away from us

during the first world war. Then they were re-establi h-ed. I do not think there has ever been any measure of dissatisfaction evidenced in regard to the grain rates.

Q They might be too low?

A Possibly we will have an opportunity to prove to you that they can be lowered.

Q Maybe Mr. MacPherson would undertake to file those figures.

MR. MacPHERSON: We will file lots of things. We will file what is necessary. Mr. Chairman, that brings us to the end of the agenda that we have for today. We have two witnesses left, Mr. Brown of the Saskatchewan Poultry Board and Mr. Pinch of the Saskatchewan Motor Dealers Association. Mr. Whitmore also is coming back tomorrow morning for cross-examination. There is one other witness who will be very short. This morning Mr. Arthur Ward of the rural municipality of Coulee --

THE CHAIRMAN: What is that?

aMr. MacPHERSON: The rural municipality of Coulee south of Swift Current. On the agenda as we had it we were advised that the Board of Trade of Swift Current was going to present a brief. It was No. 6. They did not tell us who the witness was going to be, and no witness was forthcoming. Last night Mr. Ward got in touch with me and I told him to be down here this morning and we would see him. His evidence is really in connection with another extension. I am informed that it is the C.N.R. that is involved. His presentation will be very short. As a matter of fact, I arranged with the Clerk to have his views

reduced to writing. They will be in mimeographed form tomorrow morning and I will be able to let my learned friends have them as well as the Commission. He will take a very short time.

THE CHAIRMAN: That is an item to be added.

MR. MacPHERSON: An item to be added, Mr. Arthur Ward.

THE CHAIRMAN: What is the subject of it? What Association is it?

MR. MacPHERSON: He will be giving evidence on behalf of his rural municipality, the rural municipality of Coulee, and the residents of it.

THE CHAIRMAN: His name is Mr. Ward?

MR. MacPHERSON: Mr. Arthur Ward.

THE CHAIRMAN: All right. We will adjourn now until tomorrow morning.

---At 4.30 p.m. the Commission adjourned to meet again tomorrow, June 10, 1949, at 10.30 a.m.

A.R.

ROYAL COMMISSION
ON
TRANSPORTATION

EVIDENCE HEARD ON

JUN 10 1949

VOLUME

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ROYAL COMMISSION ON TRANSPORTATION

REGINA, SASKATCHEWAN,
Friday, June 10, 1949

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Conclusion of Regina Sittings.

ROYAL COMMISSION ON TRANSPORTATION

REGINA, SASKATCHEWAN,
Friday, June 10th, 1949.

THE HONOURABLE W.F.A.TURGEON, K.C.,LL.D.	Chairman
HAROLD ADAMS INNIS	Commissioner
HENRY FORBES ANGUS	Commissioner

- - - - -

G. R. Hunter,
Secretary.

P. L. Belcourt,
Asst. Secretary.

- - - - -

THE CHAIRMAN: Mr. Covert.

MR. COVERT: The first submission, Mr.Chairman, is that of the Saskatchewan Poultry Board.

MR. MacPHERSON: Mr. Chairman, perhaps before the witness is called I might file some material that was referred to in evidence yesterday. The first is a decision of the Milk Control Board. I will file five copies of this. This is a decision dated the 27th day of September, 1948, and on page 2 there is reference to the question of freight rates.

THE CHAIRMAN: That is in connection with what presentation?

MR. MacPHERSON: That was the evidence of Mrs. Thomson. During the evidence of Mrs. Thomson the question came up.

THE CHAIRMAN: Homemakers?

MR. MacPHERSON: No, the Local Council of Women.

MR. EVANS: Would you indicate what the reference to freight rates is?

MR. MacPHERSON: I will be glad to indicate what the reference to freight rates is. On page 2 the reference to freight rates is this:

"Since the decisionof February 10 was made" -- That is the decision of the Board itself --

-- "conditions affecting production have steadily become less favourable. Freight rates have been increased by 21 per cent. This increase has added a direct cost to the transportation of milk to Regina, and to gas, oil, repairs, equipment and feed."

MR. COVERT: That will be Exhibit 16.

EXHIBIT NO. 16 -- Decision of the Milk Control Board of Saskatchewan, September 27, 1948.

MR. MacPHERSON: There was also a reference yesterday during the evidence of Mr. Robertson, I think, to the rules and regulations made pursuant to Section 8 of the Vehicles Act of Saskatchewan, 1945, by the Highway Traffic Board, dealing with the regulation of trucks and the tariff in the matter of trucks. I wish to file five copies with an amending notice under the regulations, which makes it complete.

MR. COVERT: The rules and regulations will be Exhibit 17, and I think perhaps the amending notice will be Exhibit 17-A.

EXHIBIT NO. 17 -- Rules and Regulations made pursuant to Section 8 of the Vehicles Act 1945. (Saskatchewan)

EXHIBIT NO. 17-A --Amending Notice, Rules and Regulations, under the Vehicles Act, Saskatchewan, effective April 1, 1949.

MR. MacPHERSON: Mr. W. W. Brown, Mr. Chairman.

W. W. BROWN, called

EXAMINED BY MR. MacPHERSON

Q. Mr. Brown, you are a resident of the City of Regina?

A. Yes.

Q. And you are the Superintendent of Branches and the Manager of the Produce Department of the Co-operative Creameries?

A. Yes.

MR. O'DONNELL: Isn't this poultry, Mr. MacPherson?

MR. MacPHERSON: This is poultry, yes.

MR. O'DONNELL: You said creamery.

MR. MacPHERSON: Well, as a matter of fact, the Co-operative Creameries handle poultry as well as cream.

Q. You are the Superintendent of Branches and the Manager of the Produce Department of the Co-operative Creameries?

A. That is correct.

Q. And in that capacity you have to do with the handling of poultry?

A. Yes.

Q. And you are submitting a brief on behalf of the Saskatchewan Poultry Board?

A. Yes.

Q. And that brief in itself tells what the Poultry Board is?

A. Yes.

Q. Now will you please present your brief, Mr.Brown?

A. Mr. Chairman and gentlemen:

The Saskatchewan Poultry Board was originally formed in 1930 to give guidance to the industry in the production and marketing of poultry products. It continued until 1934 when depressed conditions generally forced it to suspend operations. It was reorganized in 1942 to assist in increasing production of poultry products to meet demands brought about by wartime conditions.

The primary object of the Board is to further

the development of the poultry industry in Saskatchewan through appropriate action and recommendations concerning the production and marketing of eggs and poultry and making representations to both provincial and federal governments with respect to legislation affecting the industry. The Board also acts as the voice of the industry by consultation and co-operation with government officials and organizations in other provinces. An important function of the Board is to act as an arbitrator for the solution of problems and difference of opinion between various branches of the industry. A further function of the Board is to carry out educational programs, including meetings and conferences for the improvement of the industry.

The present membership of the Saskatchewan Poultry Board includes four members appointed by the Saskatchewan Poultry Association, the primary producer group in the province. Beside the producers the membership includes two representatives of the co-operative marketing associations (one each from the Saskatchewan Co-operative Creamery Association and the Saskatchewan Dairy and Poultry Pool), two representatives from the produce trade appointed by the Western Canada Produce Association (Saskatchewan Section).

Q. Just what is the Western Canada Produce Association? Who are they, Mr. Brown?

A. Western Canada Produce Association is an association of produce dealers from the four western provinces. They are distinct from producer groups. They are people engaged in the buying, selling and processing of eggs and poultry.

Q. They include the packers?

A. Right.

Q. Groups known as the packers. Go ahead, Mr. Brown.

A. (The membership includes) one representative appointed by the Saskatchewan Approved Hatchery Association, one representative appointed by the Saskatchewan Feed Manufacturers Association, one from organizations sponsoring Poultry Shows and one each from the College of Agriculture, University of Saskatchewan; Marketing and Production Services, Dominion Department of Agriculture; Experimental Farms Branch, Dominion Department of Agriculture; the Department of Co-operation and Co-operative Development and the Poultry Branch, Saskatchewan Department of Agriculture.

Background of the Saskatchewan Poultry Industry

In order to present a complete picture of the dependence of the poultry industry of this province on rail transportation it may be useful to trace, very briefly, the development of the industry in the province and outline its present economic importance.

The poultry industry in Saskatchewan has expanded rapidly, especially in recent years. In 1886 only 679 poultry birds were reported on all farms in the North-West Territories, whereas in 1944, the peak year to date, there were thirteen and one half million birds in Saskatchewan alone. We feel that the present success of the Saskatchewan poultry industry is not the result of accident but rather of co-ordinated thought and effort in all branches of the industry.

Government recognition and assistance has been given to Saskatchewan poultry producers since 1907 when two demonstration poultry fattening stations were opened. This type of assistance was the mainstay of poultry promotion until 1920, when the Co-operation and Markets Branch, in conjunction with the Dairy Branch, became interested in the development of co-operative marketing organizations. The Marketing Branch also gave assistance in culling and breeding, and gave various demonstrations with a view to improving poultry meat production.

In 1930 the Poultry Division of the Livestock Branch of the Saskatchewan Department of Agriculture was formed and a Poultry Promoter appointed. In 1943 a separate Poultry Branch was set up.

To attain the highest possible standard of excellence in poultry flocks the Saskatchewan Approved Poultry Flock Policy and the Saskatchewan Turkey Banding Policy were instituted as breeding improvement programs in 1930. Commercial hatcheries were first licensed in 1935 with a requirement of licensing being that all hatching eggs used by hatcheries in the province must come from flocks entered under the improvement policies.

Specially tested birds known as R.O.P. (Record of Performance) birds are produced on specialized poultry breeding farms under the supervision of the Dominion Department of Agriculture, Production Services. The average production of these specialized flocks has been equal or higher than the Canadian average in most years and actually had two breeders in the past year who had the highest production on record in Canada for these

specialized flocks. By closely integrating the Provincial improvement policy with the R.O.P. policy the fullest possible use of this high quality stock is made.

Increase in Poultry Production in Saskatchewan

Not manyyyears ago poultry production was looked upon as a sideline but, while there are few commercial flocks in the province and poultry keeping will continue to be associated with other farm operations, the following table dealing with the Saskatchewan poultry population, will indicate that especially in recent years, the poultry industry has assumed a place among the major Saskatchewan agricultural industries.

MR. MacPHERSON: Now, you have a table at the top of page 4.

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Year	Hens and young stock	Turkeys	Geese	Ducks	Total
1926	8,380,000	563,400	107,400	129,500	9,180,300
1931	10,660,000	624,600	124,000	106,500	11,515,100
1936	8,862,000	587,400	113,100	72,000	9,634,500
1941	9,731,000	991,700	87,400	70,600	10,880,700
1946	10,611,000	592,000	61,300	74,600	11,338,900
1948	9,590,000	300,000	32,000	40,000	9,962,000

Source: Dominion Bureau of Statistics.

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MR. MacPHERSON: Q. The left-hand column gives the years, the various years, and then in the next column hens and young stock population, showing that there was a low of 8,380,000 in 1926 and a high in 1946 of 10,600,000, and in 1948, 9,590,000. In turkeys

there were 563,400, with a low of 300,000 in 1948, which was about half 1946. Geese show a very substantial decrease, to only 32,000 in 1948, ducks likewise to 40,000, and the total is the addition of all different types. Now, I notice, and it might be of interest to the Commission, in the matter of turkeys, in 1948 there was only half of what there was in 1946, and a third in 1941. Is there any reason for that?

A. Yes; in recent years there has been a tendency for farmers to purchase their young turkeys from commercial hatcheries rather than raise them on the farm. Last year, under the so-called austerity program the importation of turkey eggs was stopped from the States. A large percentage of our hatching eggs comes from the States, and it was restricted.

Q. And that accounts for the lower number in 1948?

A. That is right.

Q. That will be corrected in 1949, you think?

A. We expect turkey production will be up materially this year.

Q. Just looking at the other figures, geese and ducks, there is a very substantial reduction there, and I understand the reason is that geese and ducks were kept for feather purposes, and with technological advances there is a transition from feather beds to beauty-rest mattresses and that sort of thing; that accounts for that; is that not right?

A. Yes.

Q. All right, Mr. Brown.

A. The production of baby chicks by the hatcheries of the province has increased 10 times since 1935, the first year that figures were available. There were approximately 550,000 baby chicks produced in 1935 and this figure had increased to 6,823,000 in 1947 and 5,508,000 in 1948.

There were 39,164,000 dozen eggs and 43,917,000 lbs. of poultry meat produced on farms in Saskatchewan in 1947 according to the Dominion Bureau of Statistics. Comparable production figures are not available prior to 1946. In recent years Saskatchewan has been the third largest producer of eggs and poultry meat among the provinces of Canada, being surpassed only by Ontario and Quebec. Eggs inspected for shipment out of the province amounted to 11,039,000 dozen in 1948, with poultry meat inspections amounting to 7,504,300 lbs. (These figures do not include local sales or shipments of less than 100 cases for which no inspection is required.)

Estimated cash income from the sale of poultry products by producers in the province was $15,700,000 in 1948 as compared with about $80,100,000 for cattle and calves, about $27,700,000 for dairy products and about $21,600,000 for hogs.

Conditions in Saskatchewan, in the light of recent advances in poultry husbandry, are very favourable for development of the poultry industry, with long hours of sunshine, abundance of comparatively inexpensive land for ranges, and cheaper feeds. Saskatchewan poultrymen, however, have laboured under many difficulties not encountered in localities more favourably situated as regards markets. Saskatchewan has no large

urban consuming centres and producers have to face the fact that surplus production must be shipped long distances to outside markets involving extra care in handling, extra costs in refrigeration and extra charges in freight rates not borne by more favourably located competitors.

Dependence of the Industry on Rail Movement

The movement of eggs and poultry products and the supplies necessary to their production and handling are dependent almost entirely on the railways in this province. The transportation charges against the product and the feed and supplies necessary to its production are as high or higher than for any of the other provinces.

In the first place, freight and express charges are a significant part of the cost of a baby chick purchased from a hatchery. All incubators, battery brooders, generators, washing devices and other hatchery equipment, hatchery supplies, including chick boxes, chick pads, staples and stapling machines must be brought in from other provinces or the United States. This necessitates long railway hauls with resultant heaby transportation charges against the cost of producing baby chicks. Besides the hatcheries, the producer in order to raise the baby chicks properly, must invest in brooders and brooder stoves, watering devices, feeders and peat moss, all of which must be imported, largely from Eastern Canada. In addition to the transportation charges made against the equipment and supplies used by hatcheries and producers, which might

be considered indirect, there are the direct express charges against the movement of baby chicks from the hatchery to producer.

THE CHAIRMAN: Q. You talk of importation; you say largely from Eastern Canada; where are the rest from? The United States?

A. The United States, yes; some from the West Coast but not so many.

Q. From where?

A. Some from British Columbia, but very few.

MR. MacPHERSON: Q. Go ahead, Mr. Brown.

A. The 5,508,488 baby chicks produced in this province in 1948 almost entirely moved by express shipment to the producers because the great bulk of the hatchery capacity is concentrated in the larger centres necessitating the shipment of chicks to rural communities. The express on baby chicks is a substantial item, being one and one half times the first class express rate. In the new express tariffs, which became effective April 24, 1949, a box of 100 chicks moves to Strasbourg from Regina, a distance of 51 miles, at a cost of 90¢.

Q. What was the rate before the increase in freight rates?

A. 83 cents on that shipment.

Q. 83 cents?

A. Yes.

In addition to the baby chicks produced in Saskatchewan there were also 1,135,620 chicks imported, largely from British Columbia. This movement was almost entirely by railway express shipment.

Transportation costs also have a decided bearing on the feeds used by poultry producers. The first impression is usually that poultry feed in Saskatchewan, where the quantity of feed grains produced is so large, would not be subjected to transportation charges. However, poultry and egg production is a specialized industry and as such requires specialized feeding practices. A balanced diet for poultry, which is necessary for good production, consists of 80-90% feed grains to which there may or may not be attendant transportation charges, depending on whether the producer raises his own feed grain, with the other 10-20% being made up of concentrated protein and vitamin supplements. A producer raising his own feed grain in entirety must purchase at least 10% of the feed requirements of the birds in the form of these concentrated supplements which include fish meal, meat meal, alfalfa meal, ground limestone and vitamin supplements. Many producers are finding it is more satisfactory to purchase ready mixed feeds than to purchase concentrates and attempt to mix their own.

Q. As a matter of fact, Mr. Brown, a number of the elevator companies and milling companies are specializing in these ready-mixed feeds now?

A. That is so, yes.

Q. That is true particularly of Quaker Oats, Ogilvy's and McCabe's and one or two others?

A. That is right.

Further, for best results, the feed must be

fresh which necessitates frequent purchases and as the great majority of poultry flocks in this province are small, feed is usually purchased in quantities of 4 or 5 bags every week or two. These small shipments are necessary and must be transported by express or LCL shipment from the distributing centres with considerable cost for transportation.

Up to this point it should be noted that the many items of supply to poultry producers provide considerable revenue to the railways, particularly express, and are an inward movement. Transportation costs are also incurred on the movement of eggs and poultry to market, giving a two-way revenue bearing movement.

Transportation costs on eggs and poultry are also incurred on products moving to processing plants, on supplies, packages, etc. used during processing and on the product moving to market. It must be emphasized that the large poultry population of Saskatchewan is spread over the entire province and is not localized in certain areas. Due to the flocks being small and scattered over a wide area considerable transportation charges must be incurred to move the product to grading stations. As eggs and poultry are perishable products and few farms have facilities for holding eggs, they must be moved rapidly and often to grading stations. Flock owners are encouraged to ship eggs at least twice a week, which in the majority of cases means 15 to 30 dozen lots. The minimum rate on such shipments within a radius of 370 miles of

Regina is at present 50¢ per shipment, whether 12 dozen, 15 dozen or 30 dozen (C.T.C. 2556). In the case of a 15 dozen case -- a very common shipment -- this means a charge of a little over 3¢ per dozen to move eggs from the farm to the grading station. The empty case must be returned to the producer at a further charge of 6¢.

Q. Mr. Brown, you refer to the present minimum of 50¢;when the order of the Board of Transport was made on the 8th of April, 1948, the minimum was what?

A. 75 cents.

Q. And as a result of representations made by your industry largely, the minimum was reduced from 75 cents to 50 cents?

A. That is so.

Q. Now, prior to that order of April 8, 1948, what was the minimum rate that you would pay on that shipment that you have indicated there?

A. 35 cents.

Q. 35 cents; so actually today you are paying 50 cents as against a minimum before April 8, 1948, of 50 cents?

A. Of 35 cents.

Q. Of 35 cents. And for a period from the time of the order until it was amended you were paying a minimum of 75 cents?

A. For a short period.

COMMISSIONER INNIS: When was the amendment?

MR. MacPHERSON: I think the order was made in April, Dr. Innis, and I think the amendment was made

about June, was it not? It was a couple of months afterwards, not so long.

THE WITNESS: Not very long after; I cannot remember the exact date.

MR. MacPHERSON: It was in June. The railways acceded to the reasonableness of the representations made by the producers.

THE WITNESS: There are 137 registered grading stations in operation in the province, few of which receive sufficient volume to make frequent carload shipments. These eggs must move, largely by l.c.l. shipment, to centralizing points, of which there are approximately twenty in the province, with further transportation charges.

(Page 1326 follows)

From the centralizing points, Saskatchewan's surplus eggs are shipped to Eastern markets, almost exclusively, for consumption with Montreal being the major Eastern point. Carload rates per 100 lbs. to Montreal are: from Yorkton, $2.13; Regina, $2.24; Swift Current, $2.43; North Battleford, $2.50 (C.F.A. 4F). At these rates a 56 lb., 30 dozen case of eggs, moving from Regina to Montreal would amount to $1.25 per case or 4 cents per dozen. During 1948 a total of 213,257, 30 dozen cases of shell eggs, were inspected for shipment out of the province, mainly to seaboard for export to Great Britain. Besides this amount a further 204,522, 30 dozen cases of eggs were inspected for delivery to drying and breaking plants for processing into powder and frozen egg melange for out of province shipment.

Q Mr. Brown, we have heard in connection with other commodities during this hearing that there was a floor price. Is there any floor price fixed by the government in so far as eggs are concerned?

A There is no floor price but the contract with the British for A and B grade eggs works much the same as a floor.

Q That is, there is no actual floor price but there is a subsisting agreement with the British government?

A That is so.

Q Which gives you something in the nature of a floor?

A Yes.

Q What is the general return - I do not think you

say - on grade A eggs to the producer?

A Do you refer to the price paid by the Special Products Board for these British contract eggs, or the average returns?

Q The average return to the producer?

A The average return today to producers in this area I would say is in the neighbourhood of 30 cents a dozen. That is for all grades.

Q Go ahead.

A Similarly, as is the case with eggs, there are considerable transportation charges made against dressed poultry. Farm killing of poultry is very uncommon today with the resultant large scale movement of live poultry to approximately twenty registered killing plants in the province. The bulk of the live poultry is moved by express shipment in crates of 20-24 birds, weighing approximately 120 lbs. As over half of the volume is fowl which sells at a considerably lower price, the transportation charges per pound is considerable.

Saskatchewan poultry meats also move almost exclusively to Eastern Canada. During 1948 a total of 7,504,000 lbs. of dressed poultry was inspected in the province, largely for shipment to eastern markets. Carload rates per 100 lbs. on poultry from Yorkton are $2.76; from Regina, $2.92; from Swift Current, $3.16; and North Battleford, $3.30 (C.F.A. 4F).

Conclusions

The poultry industry, by its nature, tends to react more quickly to favourable or unfavourable conditions than do other branches of the livestock industry.

Confusion and lack of stability within the industry can very easily arise with fluctuations in production from year to year which hamper the industry, cause heavy losses to various sections, such as hatcheries, and make planning very difficult, with resultant injurious effects to Saskatchewan and to the Canadian economy as a whole.

That the industry in this province does react very rapidly to unfavourable conditions was illustrated in the spring of 1948 when the railroads announced a change in express charges on minimum shipments of eggs. The announced increase in minimum shipments was from 35¢ per case to 75¢ per case but on representation to the Express Traffic Association by the producer and trade groups of the province, this minimum charge was changed to 50¢ per case. However, the increase of 15¢ in express charges, actually amounting to over 1 cent per dozen on 15 dozen shipments, caused a very noticeable decrease in small egg shipments. This resulted in eggs being held longer on the farm with a resultant loss of several cents per dozen due to lowered grades. The producer reacts very quickly to these increases in express charges on baby chicks, feed, eggs and poultry because they are not concealed in the price which he pays or the price he receives for the commodity, but are actually shown in dollars and cents on his invoices.

The poultry producer has had to bear considerable increase in transportation charges during the last year or two, with the latest being an increase in express charges on baby chicks in April of this year. Eggs and poultry prices have not advanced to the same extent

as have the prices of other agricultural products and in fact have advanced the least of any farm product.

Poultry products from this area must compete with those of producers in Eastern Canada for markets. The product must pay heavy transportation costs and the price received by the producer is reduced correspondingly. When these charges are too high in relation to price the producers net return will be too low to show a profit and the industry in this province will rapidly deteriorate. The producer in Eastern Canada being close to the markets has of course lower freight costs and in addition can make use of other means of transporting his supplies and products when the railway charges get too high, whereas the industry in Saskatchewan must depend entirely on rail movement. We submit that the railways would enjoy a greater overall income by keeping express and freight charges at a level sufficiently low that they are not a deterrent to production, rather than increase rates to derive greater revenue and so discourage producers to the point where traffic will decrease.

MR. MacPHERSON: Thank you, Mr. Brown. Your witness.

CROSS-EXAMINATION by MR. COVERT

Q Mr. Brown, I think you understand that this Commission is not a court of appeal?

A Yes.

Q You are not coming here with any view that we fix rates or anything like that. There is one question I want to ask about truck competition. It is referred to in two

places in your brief, and especially on page 10 where you say that you depend entirely on rail movement. Is there no truck competition at all?

A Yes, there is a certain amount of movement by truck.

Q Are you saying it is negligible in the poultry business?

THE CHAIRMAN: What page is that?

MR. COVERT: It appears in two places. On the very last page of the brief he says that they must depend entirely on rail movement. You will find that on page 10. Then there is also a reference on page 5, paragraph 1.

THE WITNESS: There is very definitely some movement of eggs and poultry by truck in this province. I would hesitate to estimate the percentage. By far the majority, of course, moves by rail. There is a movement of eggs, for example, by farmers delivering to a centralizing point with their own trucks. There is some movement, of course, by country merchants who go to larger points, wholesale points, and deliver the eggs they purchase or obtain direct from producers.

MR. COVERT: Q. Then on the movements from the various farms - and I understand that you say that the units are small - most of them would be brought into the centres by trucks, by the farmers in trucks? Is that correct?

A That is rather difficult to answer. The producer markets his eggs in several ways. He may take them to a country station. I think I said there were 137 registered stations in the province. He may take them

directly there. He may take them direct to the closest country merchant or he may ship by express. I would put it this way, that the producer who is interested in quality, takes his eggs to the closest grading point if there is one in his locality within driving distance, or he ships them by express to a grading station.

Q Then on page 9 of your brief you refer to the increase in freight rates from 35 cents to 50 cents, and you state that there is a very noticeable decrease in small egg shipments as a result. Have you any figures to show how great that decrease was?

A I do not have figures with me, but I can produce the figures that were submitted to the Express Traffic Association in April or May. It would be when we met with the Express Traffic Association.

Q I wonder if you would furnish those and supply them to the Commission.

MR. MacPHERSON: We will be glad to do that. These figures will be absolute proof of what Mr. Brown has said as to the quick reaction by the industry to the increased rate. These figures were submitted to the Express Traffic Association, and as a result of their being submitted there was acquiesence in the reduction from 75 cents to 50 cents. We will be glad to file with the Board copies of the representations made to the Express Traffic Association, and supply them to our friends of the railways.

COMMISSIONER ANGUS: If the figures were prepared to show the effect of the 75 cent rate how can they be used to show the effect of the 50 cent rate?

MR. MacPHERSON: What the witness answered was that they had got figures together in connection with the 75 cent rate. As I understand it Mr. Brown has not figures at the moment relative to the 50 cent rate.

COMMISSIONER ANGUS: The statement is made here that the increase of 15 cents caused a very noticeable decrease in small egg shipments.

MR. FRIEL: Those are the figures you are asking for?

MR. COVERT: Yes.

MR. MacPHERSON: We will try to get what figures we can, and we will get the others as well.

MR. COVERT: Q. The 75 cent rate was in effect for about two months?

A For a short period.

Q What we should have are figures showing the decrease when it came down to 50 cents again, figures that will give a comparison between the 50 cent rate and the 35 cent rate?

A We will have those figures submitted.

Q On page 9 of your brief in the second last paragraph you say:

> "Eggs and poultry prices have not advanced to the same extent as have the prices of other agricultural products, and in fact have advanced the least of any farm product."

Are there any convenient tables that show that that is so?

A I have figures taken for the average prices of some agricultural products. The source of these figures is the Dominion Bureau of Statistics, Prices Branch. I

show the percentage increase of these various commodities.

Q Would you give us those, please?

MR. MacPHERSON: He just has one copy.

MR. COVERT: Perhaps it would be easier to read it into the record if it is short.

MR. MacPHERSON: In going over the brief with Mr. Brown I asked him to prepare the figures, and if it will be satisfactory they can be read into the record. The first is the average price of some agricultural products, the products being wheat, steers, hogs, lambs, sheep, butter, cheese, potatoes and eggs at 1940 and 1948. The second is the wholesale prices of grade A eggs at Regina in each of the years 19[illegible] to 1949 to the end of May, giving each month.

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AVERAGE PRICE OF SOME AGRICULTURAL PRODUCTS

Product	Price at Dec.1/40	Price at Dec.1/48	% Increase
Wheat- farm price	.58	1.55	267%
Steers - good - Wpg.	7.58	21.75	287%
Hogs - good - "	10.30	28.60	278%
Lambs - handy wt. "	9.12	22.50	247%
Sheep - good "	4.25	8.55	201%
Butter - Regina, Grade #1 prints	.33	.67	203%
Cheese "	.21	.41	195%
Potatoes " cwt.	1.40	2.73	195%
Eggs " doz. A.Lge.	.38	.55	145%

Source - Dom.Bureau of Statistics,
Prices Branch

WHOLESALE EGG PRICES, BASIS GRADE A LARGE, REGINA

1940-1949 Inclusive.

	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949
January	.22	.24	.31	.35	.34	.36	.36	.41	.47	.48
February	.20	.20	.32	.34	.35	.34	.36	.38	.42	.43
March	.21	.21	.30	.32	.35	.35	.36	.37	.42	.45
April	.20	.20	.30	.32	.34	.35	.36	.37	.43	.44
May	.18	.21	.29	.34	.35	.35	.36	.40	.44	.44
June	.17	.23	.30	.34	.35	.36	.36	.40	.46	
July	.17	.27	.30	.37	.35	.36	.42	.40	.48	
August	.17	.32	.33	.40	.36	.41	.45	.46	.53	
September	.17	.35	.36	.44	.37	.40	.46	.48	.52	
October	.32	.37	.46	.48	.38	.45	.47	.48	.61	
November	.39	.42	.47	.48	.41	.47	.48	.48	.60	
December	.38	.32	.44	.42.	.36	.45	.45	.48	.55	

Source - Dom. Bureau of Statistics.

MR. COVERT: Q. Now, Mr. Brown, what effect did the increased freight rates have on baby chicks, or did it have any effect on the sale of baby chicks?

A The increase in express rates?

Q Yes, express rates. Was there any noticeable change?

A No, if you were to take the sales of baby chicks this year compared to last year the answer would be no. There are other reasons. There may be some people that would not buy chicks this year on account of the increased rate but for other reasons would buy them. The high price of poultry last fall increased our baby chick sales this

spring, but I would say there has been no great change in the buying trend because of the increase.

Q I have one more question. On the last page of your brief you say:

> "We submit that the railways would enjoy a greater over-all income by keeping express and freight charges at a level sufficiently low that they are not a deterrent to production, rather than increase rates to derive greater revenue and so discourage producers to the point where traffic will decrease."

You are suggesting that the present rates have the effect of a deterrent to the industry, and you feel that brings less shipment and consequently less freight movement and freight rates to the railways?

A No, I am suggesting that the present rates - while we would like them to be lower of course the Poultry Board realizes full well that the transportation companies have their increased expenses. We feel that the present rates have cut production to a certain extent, but we have no particular grievance with the present rates. We are trying to say in effect that you have your increased costs and we realize that. We think that the poultry industry is about at the point where further increases will act as a deterrent to production. We think, for example, that if the minimum on eggs was to be further increased that the producer - and I have already said that on the average he sends in small shipments - cannot afford to ship by express. He will tend to take those eggs to the country merchant where

they will be bought on a flat basis, and they will be held for an indefinite period there, and he will get no quality advantage. He produces good eggs but he cannot ship direct to the grading station, and they go through the merchant. They are delayed there, and are very often bought on a flat basis. He loses his advantage of a quality product, and he gradually decides he had better get out of the business. I might add there that the country merchant has a tendency to deliver his eggs by his own truck. A few years ago many of the eggs in the province moved through merchants to the larger points. That movement was decreased considerably when the buying stations bought eggs on grade and made every effort to encourage the sale of eggs by grade. If we are going to go back to the merchants handling the eggs we are going to have this drop in quality, and an increase in the eggs handled by merchants who will use truck service instead of rail service.

MR. COVERT: Thank you very much.

CROSS-EXAMINATION by MR. SINCLAIR

Q On page 5 of your brief you speak of where the industry gets its supplies. In response to a question from the Chairman you said what you did not get from eastern Canada you got from the United States except for a little bit from Vancouver. There is a large peat moss industry east of Winnipeg. Do you not get peat moss from the plants of McCabe's and Winnipeg Supply?

A Yes, there is some peat moss comes from that source. Peat moss is a very small part of our operations,

of course.

Q You speak of movements by express. In Saskatchewan express and l.c.l. rates are the same up to 370 miles, and they are truck competitive? That is correct, is it not?

A As far as I know. I am not an expert on that, but to the best of my knowledge that is correct.

Q Now, your feed compounds that are fed to poultry flocks do not travel large distances, do they, because of the Co-op. having feed compounding plants both in Regina and Saskatoon? They do not come from the east?

A You refer to the concentrates or mash feeds?

Q Compounds. I think you said the elevator companies, Ogilvies and Quaker Oats, were handling concentrates through their elevators?

MR. MacPHERSON: Ready mixed feeds.

MR. SINCLAIR: Q. Ready mixed feeds. The Co-op. yesterday submitted a brief to the Commission in which they put on the record that they had two compounding plants, one at Regina and one at Saskatoon, so they are also distributing it after it has been made here in Regina? That is correct?

A Yes

Q On page 9 of your brief, in dealing with the increase of 15 cents in the express charges, you say they actually amount to over one cent per dozen on 15 dozen shipments and has caused a very noticeable decrease in small egg shipments. You go on to say:

> "This resulted in eggs being held longer on the farm with a resultant loss of several cents per dozen due to lowered grades."

Now, Mr. Brown, surely you are not suggesting that the farmer holds the eggs because the rate has gone up a cent a dozen so that he can lose three cents on the grade?

A That is exactly what I am suggesting.

Q That is the way a lawyer sometimes does arithmetic, but I did not think a farmer would?

A He does that too, many of them.

CROSS-EXAMINATION by MR. O'DONNELL

Q The increase you speak of in the price of eggs, Mr. Brown, and which you said was below that on other agricultural products, was 145 per cent? That isthe last item you have on the list here, and since 1940 the price of eggs has increased 145 per cent?

A That is right.

Q And you suggest, when that is so low percentage-wise compared to the other farm products, that the relatively slight increase of 21 per cent on the freight rate is unreasonable?

Page 1342 follows

A. No. I am not suggesting that the 21 per cent rate was unreasonable. I have already said that, generally speaking, we feel that the present rates, while they have increased, and it has been something of a burden, nevertheless, there has been some reason for that. But we are suggesting that further increases would act as a deterrent to production.

Q. The increase you enjoyed was about seven times what the freight rate was.

MR. MacPHERSON: Q. We will just look at that figure again. In 1940, in January, 1940, the wholesale price of eggs was 22 cents; while in June, July, August and September of 1940, the wholesale price of eggs was 17 cents a dozen. Could you tell us what the producers got out of that?

A. No, that would be difficult to answer.

Q. But 17 cents, that was the price in 1940. Now, Mr. Brown, there is one other question. Do you, as a matter of fact, encourage movements by rail rather than by truck?

A. Yes, but I would put it this way: We encourage the fastest movement, which is preferably by rail, because we find that there is less breakage by rail.

Q. I think our railroad friends would appreciate that. You do that as a matter of policy?

A. Yes.

MR. O'DONNELL: And you get a higher price for fresher eggs, too!

MR. MacPHERSON: Thank you, Mr. Brown.

MR. COVERT: Mr. Chairman, the next submission

will be that of the Saskatchewan Motor Dealers Association.

MR. O'DONNELL: Might I draw the attention of the Commission to the fact that Professor Rae gave information concerning the poultry and egg business, when the Board of Transport Commissioners were here two years ago; and that information is to be found in volume 759, at page 7692 and the following. There is a lot of detailed information there which might be of interest to the Commission.

MR. MacPHERSON: In so far as it is of interest, I have no objection to it being referred to, but subject to what I had to say yesterday.

JOHN PINCH, called

THE CHAIRMAN: Who is this witness?

MR. MacPHERSON: The witness is Mr. John Pinch.

MR. MacPHERSON: Q. Mr. Pinch, you are the Secretary of the Saskatchewan Motor Dealers Association?

A. Yes.

Q. And you reside in the city of Regina?

A. Yes, sir.

Q. And you have been acting secretary of the Association for how long?

A. For fifteen or sixteen years I have been secretary, and for the last three years, I have been on full time.

Q. And you keep in touch continually with the members of the Association?

A. I visit them all once a year; and we hold several meetings throughout the province.

Q. And the subject matter of your brief is something that has been discussed with you, or by you, with the members,

at your meetings?

A. That is correct.

Q. Will you please proceed?

COMMISSIONER INNIS: Q. I understand that Mr. Pinch was the General Manager rather than the Secretary. Is that not so stated in your brief?

A. That is correct. I am both secretary and general manager.

MR. MacPHERSON: Yes; it is a combined position. Will you proceed, Mr. Pinch?

A. Mr. Chairman and gentlemen:

On behalf of our 800 dealer members in Saskatchewan and the public we serve, our association proposed to establish the unfairness of horizontal percentage freight increases, as it applies to motor vehicles. One car buyer pays $22 increased transportation charges and another Canadian has his freight bill boosted $88 on the same article. Those in the factory area and drive-away purchasers pay none of the new vehicle freight increase.

Gentlemen, that is based on the two 20 per cent increases - or possibly the 21 per cent that we have already received, and the 20 per cent that we are liable to receive.

MR. MacPHERSON: No, no! You won't receive that at all. That is not coming at all! Do not worry about that! You have an appendix No. 1 to which you refer here. This is an explanation of a freight formula that you have attached, so we won't need to read it. You have attached it, and it can go into the record. It bears out what you

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have been telling the Commission and shows how you arrive at the $22 and the $28?

A. That is correct.

EXPLANATION OF FREIGHT FORMULA
ATTACHED

Appendix No. 1

Regina, Feb. 14,1949

ITEM
(1) On page 29 F.A.D.A. Banff meeting report Freight Rates are set out on a basis of two 20 per cent increases to illustrate the pyramiding effect and the different amounts borne by the automobile purchaser depending upon where he lived.

Freight Rates	$50	$100	$150	$200
Increase 20 per cent	10	20	30	40
New Rate	60	120	180	240
Further increase 20%	12	24	36	48
Final New Rate	72	144	216	288
Total Increased Rates:	$22	$ 44	$66	$88

You can see the effect of percentage increases. One purchaser pays $22 more, the other $ 88 or four times as much. Those living close to the factory areas pay none of the new vehicle freight increases. The transportation charges on motor vehicles are already so high that the point of diminishing returns is close. Our legislative committee, after a comprehensive study estimate that in excess of 1,200 vehicles were convoyed and driven to Saskatchewan and resold in the province during 1948.

(2) Production for Canadian Consumption during 1949 may reach 250,000 units or a mutual understanding arrived at to inaugurate the plan for an eight month period on an estimate of 170,000 vehicles. The formula applies to any

total. Simplification of mechanics are attempted by creating a freight fund $50 per vehicle) and then allocating freight charges on an equal basis to the dealer and from the freight fund.

(3) Estimated distribution figures will vary with different factories and delivery percentages to group points will affect the fund surplus but this can be controlled by raising or lowering the $50 unit freight fund. The last column figures are arrived at by the following examples:

FIRST FIGURE - $40.00	
Invoiced Freight-Fund	$50.00
Less Minimum Freight Credit	10.00
Net Price or Freight increase	$40.00

LAST FIGURE - $55.00	
Invoiced Freight Fund	$50.00
½ of $210 Regular Freight	105.00
Total	$155.00
Net Price or Freight Decrease	$55.00

(4) (5) (6) Items, we believe are self explanatory.

SASKATCHEWAN MOTOR DEALERS ASSOCIATION

(Representing 800 members)

THE CHAIRMAN: Where are these two Canadians, the one who pays the $22 and the one who pays the $88?

MR. MacPHERSON: Yes; where are they located? I should say that the figures which you have given there, you have assumed the worst in connection with our freight application?

A. That is right. The $22 increase would be the result of those who were in the adjacent self-contained area.

Q. Where would they be?

A. Around Fort William and the outer fringe of Ontario and Quebec.

Q. Then we come to the common dealer area?

A. That would be in the Winnipeg area; and when you go east it would be considerably greater, the distance east from the factory,than it is west.

THE CHAIRMAN: But the $88 would be in the Winnipeg area.

MR. MacPHERSON: No. I have taken the top, the $50. He starts with $50; and in the first column he says that would be about to Port Arthur and the Ontario line.

THE CHAIRMAN: That is the original area?

MR. MacPHERSON: That is right. And hesays that in that area the increase in rates would be $22. And the next is the common dealer, that would go to Winnipeg and further east to eastern Canada; that would come to $44.

A. That is right.

Q. And then the $105?

THE CHAIRMAN: Further east?

MR. MacPHERSON: The Maritimes.

THE WITNESS: Yes, the Maritimes enjoy a special

competitive rate we do not have in the west.

THE CHAIRMAN: It would extend to the common dealer; the original area would extend to Winnipeg west, and the Maritimes?

MR. MacPHERSON: No. Winnipeg east and the Maritime provinces; and the $150 - ?

THE WITNESS: That would be in the Saskatchewan - you will appreciate that the freight on vehicles varies considerably according to the size of the vehicle. These are only very general.

THECHAIRMAN: Q. The $150 original area is from where?

A. The $150 area would be Saskatchewan, probably western Saskatchewan.

MR. MacPHERSON: And the $200?

THE CHAIRMAN: Where is the rest of Saskatchewan situated, is it in the $100 area?

MR. MacPHERSON: It is in between?

A. In between, sir.

THE CHAIRMAN: Q. Then, the $150 area begins with western Saskatchewan?

A. I would say, probably, following Saskatchewan, that would be fairly close, and then further west?

MR. MacPHERSON: Further west would be the $200 area.

A. The higher rates.

COMMISSIONER INNIS: For our purposes we can disregard the latter part of the table and say there are increases to $20, $30 and $40; that is all with which we are concerned.

THE CHAIRMAN: In respect to these respective areas?

MR. MacPHERSON: Yes.

A. Canadian factory areas enjoy a protected economy to a large extent artifically created by tariffs. These districts have protection against raised railway rates owing to water transport competition. In addition, these same so-called "rich or influential" provinces absorb the major part of the motor vehicle productinn and our "freight formula" to equalize increased railway rates or similar suggestions does not appeal to them and manufacturers can hardly be expected to antagonize their best customers.

Q. This exhibit that you have attached here is what you call your formula?

A. That is to equalize freight increases.

Q. To equalize freight increases across the country?

A. Yes, sir.

Q. And that is a suggestion which has been worked out by the Motor Dealers Association in an effort to have, as it were, a postage stamp idea in the matter of freight rates on motor vehicles?

A. That is to equalize the increases; or, if we do not get the last increase, which, as I understand it, we are not going to get here, then it would be probably compensating to some extent for the increases we have paid in the past.

APPENDIX 2.

Item 1. "FREIGHT FORMULA" TO EQUALIZE INCREASED RAILWAY RATES so that Canadian Consumers would bean an equal share of Railway "Raised" Rates and PROVIDE A DETERRING FACTOR to retard the East West driving and convoying of vehicles.

Item 2. BASED ON 200,000 UNIT PRODUCTION - By factories invoicing each vehicle with a $50 Freight Fund a total fund of $10,000,000 would be available. Half of actual freight or, transport charges, to be paid by the dealer and the remaining half, with a minimum of $10 per unit, paid out of the Freight Fund.

Item 3. ESTIMATED DISTRIBUTION

Percentage of Distribution	Number of Units	Average Unit freight	Total Freight	(Unit delivered price) Freight increase or decrease "Net to Group Points
			Short Hauls (Based on minimum $10 freight credit)	+ $40.00
30%	60,000	$30.00	$1,800,000	+ $35.00
20%	40,000	50.00	$2,000,000	+ 25.00
10%	20,000	80,00	1,600,000	+ 10.00
7½%	15,000	110.00	1,650,000	- 5.00
7½%	15,000	140.00	2,100,000	- 20.00
5%	10,000	165.00	1,650,000	- 32.50
10%	20,000	190.00	3,800,000	- 45.00
10%	20,000	210.00	4,200,000	- 55.00
100%	200,000		$18,800,000	

Item 4. Half or $9,400,000 paid by Freight Fund Plus estimated $300,000 to cover $10 minimum deficit. Total $9,700,000 Fund Surplus $300,000.

Item 5. The "Freight Fund" amount per unit could be adjusted yearly or at any desirable time.

Item 6. These estimates narrow vehicle freight differentials, the maximum being $40 plus $55 a total of $95. This would discourage factory driveaways. In effect, it would constitute a dumping charge and stop a lot of the east west reselling traffic. The plan encourages the using of regular freight or transport carrying facilities and would relieve Canadian and U.S.A. highways besides saving American dollars.

Appendix 3.

RATES EQUALIZED BY NEW FORMULA

A formula for equalizing increases in automobile freight charges has been worked out by the executive of the Saskatchewan Motor Dealers' Association and forwarded to all its units in the province, according to John Pinch, general manager.

The formula provides for setting up a freight fund by the factories which would amount to about $10,000,000. This would be done by each factory invoicing each motor vehicle with a $50 freight assessment. On the basis of an estimated production in 1949 of 200,000 units this would provide the total estimated fund of $10,000,000.

FUND PAYS HALF

With the fund operating, half of the actual freight charges would be paid on delivery of new cars and trucks and the remaining half woud be paid out of the freight fund. Not

less than $10 would be charged to the fund, regardless how short the haul.

This would have the effect of equalizing the recent and proposed increases in freight charges among consumers across the Dominion. It would increase the present freight charges on shortest hauls by $40 and on longest hauls the charges would be reduced by $55.

The association emphasizes the pyramiding effect of percentage increases in freight rates. If, for example, a further 20 per cent increase were imposed on top ofthe recent 20 per cent boost, car purchasers at distant points would find their freight charges boosted four times as much as those in the $30 freight area group. Consumers living in the factory area pay none of the new vehicle freight increases and an increasing number of new car buyers are asking for factory driveaway deliveries in order to save on freight charges and enjoy a low cost vacation. Railway employees use their free passes and the transportation companies lose both coming and going.

TWO EXAMPLES

The average freight per unit on 30 per cent of all cars and trucks being shipped, the study indicates, is $30. With the formula in effect this charge would be increased by $35 to $65 in the central Canada area. Ten per cent of all units carry the highest average freight charge of $210. This would be reduced by $55 to an average of $155. Without the formula, the spread in these two examples is the difference between $210 and $30, or $180. With the formula the spread in freight in the two examples would be the difference between $65 and $155, or $90. It is apparent,

therefore, that there would be a narrowing of the gap between east and west freight charges in this case amounting to $90.

The association suggests the plan might be introduced for an eight-month period on an estimated production of 170,000 vehicles for the period. It suggests the possibility that 250,000 units may be produced in 1949. The formula would apply to any total.

Estimated distribution figures will vary with different factories and delivery percentages to group points will affect the fund surplus but this can be controlled, the study suggests, by raising or lowering the $50 unit freight fund.

Introduction of this formula, the association executive believes, would serve as a deterrant to the overflow of motor vehicles out of Ontario to western points by convoy and by driving.

The association's legislative committee estimates that more than 1,200 motor vehicles were convoyed and driven to Saskatchewan during 1948 and resold. The transportation charges on vehicles is already so high it maintains, as to approach the point of diminishing returns.

"Without any recent freight increase, the volume of automobiles being driven and convoyed to the western provinces is steadily increasing and if we get another increase the movement by road will increase further.

"During 1948 one Regina used car dealer stated he had shipped by water 60 units to Fort William and driven them from there to Regina at a freight saving of$50 a unit. His firm drove 40 additional units by using Ontario licence plates

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at a freight saving of more than $60 per unit. Here is a revenue loss of at least $12,000. We had more than 35 used car dealers in Regina in 1948, exclusive of enfranchised new car dealers. Prairie dealers recall the time when Vancouver obtained special competitive rail rates after they shipped a few hundred vehicles by boat through the Panama. Unfair competition created by "Ontario Overflow Vehicles" might force Sask. dealers to much greater use of the lake route and establishing a vehicle transport to Western points. It is estimated that about 5,000 units were driven west via the United States during 1948, says Mr. Pinch. Assuming that $50 of U.S. funds is needed for each unit driven, he adds, Canada's hard money reserves were depleted by about $250,000 last year through this practice. In 1949 it will be much higher.

Railway revenue loss last year ran in the neighborhood of $600,000, he suggests.

Correction of this practice, which is desired by the Saskatchewan association would be highly advantageous to the railways and to the country as a whole, and Mr. Pinch maintains further,

"The central provinces are geared to mass production. Tariff protection favors their economy. We believe they can be sold on the proposition of bearing a fair share of increased freight costs. On Saturday, March 19, "Radio Report from Parliament Hill" a western member of parliament announced that 2/3 of the railways' profits were paid by the four western provinces. We submit this situation should be corrected."

NOTE: The above is a copy of the March 21st Leader Post article with some additions and slight changes.

Q. But you realize that in a measure the application of the freight formula which you have suggested is one that would involve cooperation on the part of the dealers in eastern Canada and the manufacturers, as well?

A. Very definitely.

Q. And for one reason or another, you have found that that cooperation has not been forthcoming?

A. That is correct. Should I explain this formula to some extent?

THE CHAIRMAN: This sheet seems to be sufficiently self-explanatory.

MR. MacPHERSON: Q. I do not think we need to go into that, Mr. Pinch. I think the Commission understands the principle which you are trying to apply. Will you proceed?

A. If the economy ofCanada could be represented by a wheel, every engineer knows that the rim of a wheel is as necessary as the hub. Therefore, those on the outer rim of the wheel of the vehicle of economy should have the same advantages as those living at the hub. See appendix Nos. 4 and 5.

APPENDIX "NO. 4"

THIS IS A COPY OF LETTERS MAILED TO THE FOLLOWING:

Mr. John C. McGuire, c/o Chrysler Corporation, WINDSOR - copy to Mr. Waffle

Mr. A. J. Shaw, c/o Chrysler Corporation, WINDSOR - copy to Mr. Eastland

Mr. P. G. Willey, c/o Ford Motor Co., WINDSOR - copy to Mr. Jamieson

Mr. M. A. Sneddan, c/o Ford Motor Co., WINDSOR - copy to Mr. Kingdon

Mr. E. J. Umphrey, c/o General Motors Products, OSHAWA - copy to Mr. Patterson

Mr. D. C. Goskin, c/o Studebaker Corporation, HAMILTON -

Mr. J. Lany, c/o Nash Motor of Canada Ltd., TORONTO

Mr. L. H. Kain, c/o International Harvester Co., HAMILTON

Mr. C. R. Gall, c/o Hudson Motor Co., of Canada Ltd., TILBURY

Mr. J. D. Mooney, c/o Willys Export Corporation, TOLEDO, Ohio.

April 1, 1949

Dear Sir:

The attached "10th Annual Spring Sale" offering Fourteen 1949 model vehicles represents the activity of one Regina Used Car operator. We have over 30 others in the city, exclusive of the enfranchised dealers. At this moment of writing, there is another operator using a decorated 1949 chev. ½ ton truck touring the city, equipped with a loud speaking device, announcing that the City Auto Sales has the largest stock of new cars and trucks in Regina.

These "Ontario Overflow Vehicles" are pouring into this Province at an alarming rate. On Wednesday March 23, it was reliably reported to the writer that

there were two convoys totalling eleven units clearing North Portal customs at one time. One local operator reported that five belonged to him. They were all 1949 models. Since then the roads have improved and the volume increased.

If 19,500 new and used vehicles have overflowed from the United States into this country during 1948 without Canadian dealers getting a commission cut, and there were indications of a considerable increase for this year, we believe there would be quite a stir started and few would believe increased Canadian production would correct the situation. That is the number percentagewise for Canada compared with the Saskatchewan 1948 experience.

Our executive feels sure that our Saskatchewan problem is understood and is getting every consideration by factory management and relief will come but it could be, too little, too late. There is another side of the picture that we ourselves are just beginning to appreciate. That is, the number of private individuals entirely outside of the regular used car operators who are getting into this business. We refer to railway employees, the seasonal unemployed, farmers and a lot of individuals who like to travel east and bring cars back. They bargain for price, give a local friend's or relative's address, usually buy the vehicle in their own name, obtain an Ontario licence and start home. Then in addition as we previously pointed out, Ontario owners drive their cars west to sell. Contacts are established and as freight charges go up the traffic will

increase. We are preparing a list of serial numbers that concerns this group only and at the moment it looks enlightening.

A committee has been set up charged with the responsibility of presenting a brief on behalf of the association to the Royal Commission on freight rates when it comes west this spring. We propose using our "Freight Formula" approach. So far we have received no adverse criticism. We would appreciate you pointing out any apparent weaknesses of the idea at an early date.

To keep you informed of our "Freight Formula" activity we are enclosing herewith a copy of a letter sent to Saturday Night, together with a rewrite of a Regina Leader Post article.

Yours truly,

John Pinch,
General Manager.

SASKATCHEWAN MOTOR DEALERS' ASSOCIATION

REGINA

No. 5

SASKATCHEWAN DEALER MEMBERS: Mailed May 5, 1949

IN MARCH MOTOR MAGAZINE the following figures on total motor vehicle population appears. It includes Passenger, Commercial and Motorcyeles. To simplify, only totals are shown and percentage figures have been added.

PROVINCE	1947 TOTAL	1948 TOTAL	PERCENTAGE OF INCREASE
B.C.	179,409	198,190	10.4%
Alta.	154,025	171,543	11.3%
Sask.	158,433	167,305	5.6%
Man.	110,977	128,689	15.9%
Ont.	796,947	872,479	9.4%
Que.	290,390	322,745	11.1%

THE FOLLOWING DATA ON 1948 PASSENGER CARS HAS COME TO US FROM A RELIABLE SOURCE:

MANUFACTURER	ACTUAL SALES IN CANADA (Passenger Cars only)	Retail Deliveries in Saskatchewan	Percentage
General Motors	56,722	4,007	7%
Ford	33,227	2,103	6.3%
Chrysler	40,156	2,786	6.9%
All others	4,869	402	8.3%

FOUR COMPREHENSIVE LETTERS HAVE BEEN WRITTEN TO THE MANUFACTURERS in connection with "Ontario Overflow Vehicles" and supporting our "Freight Formula" TO EQUALIZE INCREASED RAILWAY RATES, Our Legislative Committee, after a careful study estimates:

1- In excess of 1,200 vehicles were convoyed and driven to Saskatchewan in 1948.

2- 1000 new vehicles, or next to new, were sold in our Province during 1948 through other than

authorized factory dealers.

3- In addition 500 older models vehicles came into Saskatchewan

AS OF THIS DATE "EVIDENCE INDICATES" The above figures will be more than doubled during 1949.

PLEASE CHECK THIS RESOLUTION CAREFULLY

"Resolved that we endorse the principle of equalizing all FREIGHT RATE INCREASES on cars and trucks and that we further recommend to our provincial association that representations be made to the Dominion Government that they remove the excise tax at the earliest possible date and consider the advisability of negotiating with the factories to institute some form of freight equalization on vehicles at the time the excise tax is removed." (Representing 800 Members)

If you "hold the opinion" that the East West Overflow will stop when we get our share of deliveries and for any reason believe the above request should not be forwarded to Ottawa, PLEASE ADVISE J. PINCH IMMEDIATELY.

PRES. ROSS TROUT has just sent in a three page report on the Federation Board Meeting he attended in Detroit, March 28 and 29. It is difficult to decide whether this should be mailed complete to all members, condensed down to a half page or whether this would be a good topic for our President to speak on when he gets around to attending Unit Meetings. Copies of the report are being forwarded to Unit Presidents. Ross enjoys the good fortune of being the Saskatchewan

representative on the General Motors Council. He is due back in Detroit May 13.

BILL NO. 116 of 1949 "An Act respecting the Sale of Farm Implements" comes into force July 31, 1949. This affects 550 of our members who sell implements. Vendors licences will be required but the fee has not been set yet. It is a 16 page document available from THE KINGS PRINTER, REGINA @ 26¢. They accept stamps. Unit Presidents have been mailed a copy. The Act will be administered by the Director of Conservation and Development Branch, Dept. of Agriculture, Room 220, Normal School Bldg., Regina. They expect to mail out application forms shortly.

P.S. Immediately the 1949 National Used Car Guides are received from Federation, they will be forwarded to the many members who mailed in their dollars.

Q. That is in support of the formula that youhave presented in the pink sheet?

A. That is right.

Q. And then you have two other appendices, 4 and 5, which indicate the effort which you made; and what you are trying to do in that connection?

A. That is right.

Q. And in appendix No. 4, you point out the number of automobiles that have come in from Ontario, and the Ontario overflow vehicles. Will you explain exactly what you mean by that?

A. There has been a lessening off of the demand for new vehicles in Ontario compared with our demand here in the west; and I am talking about Saskatchewan. And cars have become available there and get transported to Saskatchewan and sold more profitably than they could have been sold in Ontario.

Q. How do these cars come from Ontario, is it by rail or by road?

A. They come both ways; there is a large movement of cars from the east by the use of car operators. They will senda a buyer down east, and in the middle of the winter they will probably ship a few out. And in the Spring, in some cases, they ship a lot by boat to Fort William and they drive them up to Regina at an over-all freight saving of $50 per unit; and then they drive them through on to Saskatchewan at a saving of $75 per unit. Just recently one used car operator employed as drivers a number of university students in the east; and they drove cars out west.

Q. That is one way of getting home?

THECHAIRMAN: What is the relation between that state of affairs and the freight rates?

MR. MacPHERSON: Q. I think the only point int that connection is that: Even the present rate charge may be pricing the railways out of the picture in the matter, in that it is cheaper to drive a car back than it is to take it back by rail. That increased rate may defeat the original purpose; and in the last analysis freight rates, in any amount, would be denied the railways; and the higher the rates go -

THE CHAIRMAN: Do I understand that there is an over-supply of these cars in Ontario?

MR. MacPHERSON: That is right.

THE CHAIRMAN: Q. Therefore, they come here. Can we assume then that they come here by road because of the high freight rates? Otherwise they would come by rail?

A. A. There is a profit there which tends to increase the road traffic.

MR. MacPHERSON: Q. Is it or is it not your submission that these cars are being driven from Ontario because they save money as against paying the freight?

A. Yes, sir.

MR. O'DONNELL: Q. In the wintertime?

A. Probably not in January and February; but very definitely in November and December, in large quantities.

MR. MacPHERSON: Q. Will you proceed, Mr. Pinch?

THE CHAIRMAN: Let us suppose they would come by rail; what difference would it make in that case to the dealers association?

MR. MacPHERSON: It would not make any difference,

not within the purview of 6033. It would not make any difference at all. That would be another matter, altogether.

THE CHAIRMAN: How would that affect the traders in this province? These cars are being sold in Ontario simply because there are too many of them there; and they are coming here. So how would an adjustment of the freight rates help the local dealers?

MR. MacPHERSON: Q. That is why I asked him the last question: As to whether or not these cars came either by road or whether they came by train. As a matter of fact, one of the complaints of the Motor Dealers Association is that these cars are handled by used car dealers, who operate on a vacant lot and are an in-and-out business; they are snowbirds, and that the legitimate operators are handicapped in that respect.

THE CHAIRMAN: If these cars came by rail would they get into the hands of what you call legitimate operators in this province?

MR. MacPHERSON: As a matter of fact I think that these operators, according to the witness, go east and make their purchases in the east and bring them back to Saskatchewan and operate from vacant lots. Now the position is: That in so far as most of these men are concerned, according to the witness, they come back by road on their own power rather than by train.

THE WITNESS: That is right. And I would like to amplify that by saying we have found difficulty, even for a number of years, but accelerated in recent years in that railway men use their passes to go down east; and they also save on the freight coming back; so it works both ways.

MR. MacPHERSON: Q. That is interesting.

A. Well, if I had been a railroad man, I would have done the same thing myself, because of saving the high railroad rate, and because of the holiday combined. That would be quite an item of interest.

Q. Go ahead, please.

THE CHAIRMAN: The thing to be borne in mind is that we have to relate all these topics to transportation.

MR. MacPHERSON: Yes, Mr. Chairman, we have to relate all these topics to transportation; and the point that I wish to emphasize in this connection is the position that the railways may get into is such that the result would be that a man would buy his car back in Ontario and drive it back, rather than to pay the rate which is involved.

MR. O'DONNELL: Q. There is the passenger fare, too.

A. They put a quota on the dealers and they won't permit some of them to go down and get the cars. But some have a used car operator who buys from the dealers down there and sends them back by road.

MR. MacPHERSON: Go ahead.

A. We maintain that the authorized 21 per cent horizontal freight increase has accentuated factory drive-aways and vehicle highway transporting to an alarming degree. It has been a serious contributing factor in the east-west grey market oe operation. Not only would another horizontal increase be damaging, but some relief should be introduced to correct an already undesirable traffic that is well established. We prophesy that within twelve months new motor vehicles destined to the west, for enfranchised

dealers, will come by boat to Fort William and be transported by road from there. In fact, I believe the dealers will be forced into that situation if we get another increase.

Q. What do you mean by "grey market"?

A. Grey market is understood to include vehicles, or close to new vehicles, which are sold to individuals; then that individual turns around and sells, possibly to a used car operator at an increase; and then eventually the ultimate owner has to pay considerably over the regular retail price in order to obtain the vehicle.

Q. So that is a technical term in the trade, grey market? Go ahead.

A. We believe our presentation draws attention to five important phases, namely:

(1) Shows the unfairness in the principle of Horizontal Percentage Increases.

(2) Gives information regarding the Point of Diminishing Freight Revenue Returns.

(3) Indicates the total potential revenue available to railways carrying new motor vehicles.

(4) Points out the freight burden carried by our customers and the vulnerable position we find ourselves in.

(5) Also, we think, it shows the difficulties confronting our industry in doing anything about it.

It is our understanding that in the case of power distribution systems, costs, increases or decreases are rated at so much per K.W.H. right across the board and not on a percentage basis. It occurs to us they have capital costs, maintenance, depreciation, replacements,

wages, etc., and responsibilities to the public somewhat comparable to railways.

MR. MacPHERSON: Your witness, Mr. Covert.

CROSS EXAMINATION by Mr. Covert

MR. COVERT: Q. Would you tell the Commission exactly what you expect them to do about this problem? It seems to me that it is a matter entirely of agreement between the dealers, and perhaps, the manufacturers?

A. Yet, is not the railway problem a government problem?

Q. But could you not tell us exactly what you have in mind? What are you asking the Commission to do? Are you just reciting these facts and saying: Will you consider them and see what you can do? Perhaps that is it?

A. Well, I would expect that if these horizontal freight increases are in force, they would not recommend an increase in so far as motor vehicles are concerned.

COMMISSIONER INNIS: Q. Are you suggesting that the railways are inefficient and negligent of their own interests in raising the rates to a point where traffic falls off?

A. No, sir. I would not like to accuse the railways of being inefficient. But if I were the railways, I would go to the manufacturers and try to get this problem cleared up. We tried to do something about it before it got too bad. We are going to be forced to do something about it to meet competition.

THE CHAIRMAN: When you say "we" you mean your organization?

A. I mean our dealers in Saskatchewan.

Q. What do you mean that you might do?

A. We propose to establish a point at Fort William and when the vehicles are ready and available, to ship them up there and have a transport truck deliver them.

Q. You would distribute them from there?

A. Yes, sir. We have alreaay contacted a transportation truck organization.

Page 1357 follows

Q. Without going that far, a considerable reduction in railroad freight rates would break up this grey market traffic that you complain about?

A. It would have a deterrent effect, in so far that it would not pay individuals in Ontario to come to Saskatchewan to sell their vehicles, or citizens of Saskatchewan to go down east and pick up an automobile. It would be a deterring factor. You don't hear of any cars going from Saskatchewan back to Ontario to be sold. It is a one-way traffic, and the higher the freight is the greater that traffic is going to become. For instance, last year there were 1500 vehicles came into this province, according to the estimate of our Legislative Committee, and by one of the same yardsticks that was used to determine that there were as many came into the province by April 15th of this year already.

CROSS-EXAMINED BY MR. O'DONNELL

Q. Do you know Mr. James Tuxford?

A. Very well, sir, yes.

Q. He is an officer of your Association, or was two years ago?

A. He was president during 1948, and he is past-president this year.

Q. Well, he testified here, you will remember, two years ago; he testified before the Board of Transport Commissioners on this very matter you are speaking about, Mr. Pinch.

THE CHAIRMAN: What is his official position?

MR. O'DONNELL: Q. Mr. Tuxford was the then president, was he not, of your Association?

A. That is correct.

Q. And on the 11th of June, 1947, he appeared before the Board of Transport Commissioners and put forward the same type of matter that you have mentioned to the Board this morning, that is, the proposed freight formula or an equalization of freight?

A. I recall that was more of a commodity rate, total equalization or commodity rate.

Q. In any event, the same type of thing was then discussed?

A. Yes, sir.

Q. And I think Mr. Tuxford agreed -- his evidence, my lord, appears in Volume 759 at page 7673 and following -- Mr. Tuxford agreed that the matter got right down to what Mr. Covert suggests this morning to you it is, and that is, that it is a matter of agreement between your dealers and the manufacturer; the manufacturer has to agree with you to handle the freight in the manner that you suggest, and until he agrees or they agree with you it is something that the railways have not got anything to do with; isn't that the position?

MR. MacPHERSON: That is just one phase of it. You are speaking of the formula now.

MR. O'DONNELL: Yes.

THE WITNESS: I can probably answer that by asking you, can you ever expect the manufacturer to agree with the minority group out here against the large majority in Ontario?

MR. O'DONNELL: Q. I think that is what it amounts to -- disagreement between the dealers as to the

manner in which the freight should be handled, and the manufacturers in the circumstances have not gone along with your proposal as yet; you are hopeful that they may some day, but as yet they have not?

A. That is correct.

Q. And it is a matter of agreement between you and them in the final analysis; that is correct too, is it not?

A. Yes, and I believe that there are other influences that can probably bring about an agreement.

Q. Thank you.

THE CHAIRMAN: Q. You say there are others who can bring about an agreement; what do you mean?

A. They could probably use their influence.

Q. What influence?

A. Well, the manufacturers and the dealers in Ontario in particular are very anxious about the last 10 per cent excise taxto be removed from automobiles. We are anxious in Saskatchewan too, but not nearly so much as they are, because we have not received our percentage of units, so that our Provincial Association is proposing to make recommendations to Mr. Abbott and Mr. Chevrier and Mr. Howe, but when they come to him and ask for the excise tax to come off, they talk a little reciprocity, and instead of taking $140 off in Ontario take perhaps $100 off and throw the other $40 into an equalization fund and freight.

CROSS-EXAMINED BY MR. EVANS

Q. Just so that I won't be confused about this, Mr. Pinch, Mr. MacPherson put to you a question that

got me a little bit confused; he said something, that you were advocating a postage stamp rate ---

THE CHAIRMAN: A what?

MR. EVANS: Q. A postage stamp rate. What you mean to say is, a postage stamp rate as regards the purchase price of an automobile but not a postage stamp freight rate; is that your understanding?

A. This brief does not ask for total equalization or a national price. We asked that in the past and got nowhere, and now we are asking for some equalization on these increases.

Q. But will you clear up my difficulty? My difficulty is, do you or do you not want a flat or nearly flat freight rate, or is this purely a fund to be operated by the industry?

A. Do I understand by postage stamp freight rate, that that is total nationalization, total national price?

Q. I have nothing to do with prices; I am talking about freight rates. Do you think, for example, that a motor car originating in Oshawa, we will say, destined to Winnipeg, should pay the same freight rate as an automobile desined to Edmonton from Oshawa?

A. It would be very desirable, but I don't think so.

Q. Do you advocate that? That is all I am interested in.

A. Our Association advocated that in the past.

Q. Do you now advocate it?

A. No; we advocate equalization of increases.

THE CHAIRMAN: Q. Of what? Of increases?

A. Yes.

MR. EVANS: Q. Through the operation of a fund within the industry, or do you expect the railways to equalize those?

A. We believe it can only be done by an equalization in the industry.

Q. Thank you.

MR. MacPHERSON: Q. Mr. Finch, you have dealt with two things; one is the formula to which my friend Mr. Evans referred, and the other is the impact of the horizontal increase?

A. Correct.

MR. MacPHERSON: Now, Mr. Pinch, my friend Mr. O'Donnell referred to Mr. Tuxford's evidence as given two years ago; that would be subject to the same remarks that I made yesterday in connection with the matter. Thank you very much.

THE CHAIRMAN: What is next?

MR. MacPHERSON: The next is Mr. Ward.

THE CHAIRMAN: The Rural Municipality of Coulee.

MR. COVERT: The next submission, Mr. Chairman, is by the Rural Municipality of Coulee.

ARTHUR WARD, called

EXAMINED BY MR. MacPHERSON

Q. Mr. Ward, you are a farmer?

A. Yes.

Q. And you reside in the Swift Current district, so-called, in the province of Saskatchewan?

A. Yes.

Q. And you desire to make a representation to the Commission in connection with a situation that exists in your municipality?

A. Yes.

Q. That is, the rural municipality of Coulee?

A. Yes.

Q. Which is how far from the city of Swift Current?

A. Thirty miles from Swift Current.

Q. Thirty miles from Swift Current to Neidpath. And you live near Burnham?

A. Yes.

Q. Which is not quite half-way to Swift Current; that would be right, Mr. Ward?

A. Yes.

Q. Now will you make your presentation?

A. Mr. Chairman and members of the Royal Commission on Transportation:

This submission is made on behalf of the rural municipality of Coulee, where I have been councillor and reeve some 30 years up to 1947. The Village of Burnham in our municipality is some 17 miles due east from Swift Current.

We wish to bring to the attention of the Royal Commission the handicap with which we are faced in respect to transportation in our area. We are on the Canadian National line which was constructed as far west as Neidpath in 1924. Rails were actually laid to Swift Current in 1931. Construction of the line from Neidpath to Swift Current, which covers a distance of 29.9 miles, is

actually completed, but has not been put into operation and is not being maintained. The attached map, Appendix A, shows the area involved.

Q. The map which is attached, Mr. Ward, shows the Canadian National, which is the crossed line? It comes from Moose Jaw and Regina, Mossbank, Gravelbourg, St. Boswells, Hodgeville, Neidpath, and then the line from Neidpath to Swift Current is a line which is completed, the grade is completed, the rails were once laid, but is a line which is not being operated?

THE CHAIRMAN: Was it ever operated?

MR. MacPHERSON: Q. Was it ever operated?

A. No.

COMMISSIONER INNIS: Q. Were the rails taken up?

A. No.

Q. Are the rails still there?

A. They are still there.

MR. COVERT: Excuse me, Mr. MacPherson. Before you go any further, we will call that Exhibit 18.

MR. MacPHERSON: Exhibit 18, Appendix.

EXHIBIT NO. 18 -- Map -- Appendix A to submission by Rural Municipality of Coulee.

MR. MacPHERSON: Q. Now, Burnham, the town to which you refer as being your own village, is on the map between Neidpath and Swift Current?

A. Yes.

Q. And is 17 miles from Swift Current?

A. Yes.

THE CHAIRMAN: The whole gap there is about 35 miles.

MR. MacPHERSON: Thirty miles,he said, my lord.

THE WITNESS: The whole line from Neidpath to Swift Current is spoken of by the railways as being under construction. It was our understanding that lines under construction were supposed to be completed within 15 years, but this has not happened in our case.

No passenger service at all moves between Neidpath and Swift Current -- passenger trains actually turn around at Neidpath. Freight as well goes no further than Neidpath, although freight cars may come up the line from Neidpath as far as Burnham to pick up grain or bring in coal, if a request is made to the Station Agent at Neidpath. There are no stations or Station Agents between Neidpath and Swift Current.

The city from which we naturally buy almost everything we need is Swift Current, but if we have goods shipped to us from Swift Current by rail, the normal route would be that the goods would go to Moose Jaw and then back to Neidpath where we would have to go and pick them up.

For that reason, most of the things we buy come out to us from Swift Current by truck. However, we are in a very unfortunate position as far as highway service is concerned in our area. There is not a single gravelled road anywhere in our municipality. The combination of lack of good roads and our rail situation make it very difficult for us when it rains in summer and roads get muddy, or in winter when storms block the roads. Actually in winter, we usually have to drive some 30 miles in a roundabout way to get to Swift Current, whereas

the rail line would take us there in 17 miles.

While the railway, as it now exists, is of no practical value in bringing in or shipping out most things we use or have to sell, it does, as mentioned above, bring in coal and take out wheat. However, the Drumheller coal used at Burnham again has to come to us at heavy freight cost by way of Moose Jaw and long delays on delivery often occur. The service we get on grain is not good as grain cars have been very difficult to obtain from Neidpath to Burnham. A great deal of grain is grown in our area, and perhaps 300,000 bushels of grain per year, on the average, are involved. Much of this grain is hauled long distances to other lines or to Swift Current by truck.

Our people are very much concerned over the lack of passenger service, and it is in this connection that an adequate rail line would be most welcome in carrying us the short distance in to Swift Current.

THE CHAIRMAN: Pardon me a moment. I understood at the beginning that this line was not in use at all, not operated, and I see here he says:

> "The service we get on grain is not good as grain cars have been very difficult to obtain from Neidpath to Burnham."

MR. MacPHERSON: Q. Is there any traffic hauled over that line from Neidpath to Swift Current at all?

A. Never; and, moreover, the sectionman has an order from headquarters not to go west of Burnham to do repairs in any connection on the line.

Q. Mr. Ward, I think what the Chairman wants to have cleared up is this: the grade is completed, the rails are in; is there any traffic of any kind, freight or passenger, moving over that line from Neidpath to Swift Current?

A. No, except to Burnham, where we get our coal and wheat.

Q. They take coal in to Burnham and take wheat out?

A. Yes; there are two elevators there.

THE CHAIRMAN:Q. There is that much, but there is no passenger traffic?

A. No.

Q. There is no traffic, do I understand, between Burnham and Swift Current?

A. No.

Q. None at all?

A. None at all.

MR. MacPHERSON: Q. Now, there are two elevators at Burnham; is there any elevator at Toppingham or at Friend?

A. No.

Q. Is there any elevator at Roderickville?

A. No.

Q. But there are two elevators at Burnham?

A. Yes, at Burnham only.

Q. Which is about 13 miles from Neidpath?

A. Yes.

Q. All right, go ahead.

A. The lack of passenger service leads to dissatisfaction with the social life which the district

can offer and many people from our municipality have moved into Swift Current, coming out only to put in crops. This condition is not healthy for any small community.

If we had trains we would be able to get better postal service than we have now with our mail being drawn in from Swift Current twice a week when the roads are in good shape. The hospital situation is a case of concern to us in our community especially in winter when the long detour to Swift Current must be made.

Our municipality is the one most affected by the lack of rail service as it lies completely between Swift Current and Neidpath. It contains possible traffic points at Friend, Toppingham, Burnham and Roderickville. However, the whole area along the Canadian National line right down to Gravelbourg is keenly interested in having the line put into service, and discussions have been held in Swift Current with representatives being present from Hodgeville, Bateman, St. Boswells and Gravelbourg.

Q. These are points on the line east of Neidpath; Neidpath, Hodgeville, St. Boswells and Gravelbourg are east on the Canadian National?

A. Yes.

Q. Go ahead, Mr. Ward.

A. While it is our understanding that these municipalities would be taking some action in respect to the existing situation, our municipality, being the most seriously affected, wished to bring our case to the attention of this Commission in the hope that alleviation may be recommended from the economic hardships we suffer due to the transportation existing in

our area.

Respectfully submitted,

Arthur Ward,

For the Rural Municipality of Coulee.

MR. MacPHERSON: Thanks very much, Mr. Ward. Your witness.

MR. COVERT: I don't think I have any questions.

THE CHAIRMAN: Any questions?

MR. O'DONNELL: No, I have no questions.

THE CHAIRMAN: Thank you, Mr. Ward.

E. F. WHITMORE, recalled

MR. COVERT: Mr. Chairman, the next item arises out of the adjournment the day before yesterday, the submission of the Regina Chamber of Commerce.

EXAMINED BY MR. COVERT

Q. Mr. Whitmore, I understand before you suggested that you did not pose as a freight rate expert?

A. Far from it, sir.

Q. And in preparing this submission you have set out certain facts in the brief?

A. Right.

Q. But later when you gave your evidence here or made submissions and set out certain recommendations for legislation and so on, you have assumed that the facts are true; I mean, you are not supplying proof of the facts?

A. That is virtually the position, yes.

Q. So that you are making your submission and recommendations on the basis that those facts are true?

A. Yes, and will eventually be proven.

Q. And I take it that the main theme throughout your submission is equalization of freight rates?

A. Equalization, and coupled with it greater regulation of all freight rates, and especi ally commodity tariffs, special tariffs and competitive tariffs.

Q. And you suggest, I think, in the submission that all of the present kinds of tariffs be retained?

A. Yes.

Q. Such as competitive tariffs and agreed tariffs and so on?

A. Right.

Q. But the main point is an attempt to equalize them and make them the same in one part of the country as the other?

A. And to introduce a greater measure of regulation over them.

MR. COVERT: Mr. Chairman and members of the Commission, I just wanted to see if I could narrow the issue here, and then I thought it would be better if I turned the examination over to counsel for the railways from here on.

THE CHAIRMAN: Well, before any examination begins, has Mr. Whitmore anything more to say?

Q. Have you anything more you wish to say?

A. No, my lord.

Q. Are you ready now to discuss matters with counsel?

A. Yes, my lord, quite.

CROSS-EXAMINED BY MR. EVANS

Q. Mr. Whitmore, I gather that you made quite a considerable study of this question, did you?

A. As far as I could, yes.

Q Did you study the rate question yourself, or did you rely on others for that?

A. I studiedit myself as far as I could from for instance the texts, the judgments available, and the exhibits that I could acquire from the recent hearings.

Q. Well, that would be the aspect, the more or less administrative and judicial aspect of the rate question as distinct from the scale of rates and how they are constructed. You do not, or do you, have any particular knowledge of the way rates are constructed and how they affect operating?

A. Not with their actual construction, no.

(Page 1373 follows)

Q Because I was going to ask you this question. I first wanted to examine you on the brief and then to go to the submissions that contain your recommendations. I notice on page 3, speaking of the Schedule A rates in the east, your brief says that they tend to become maximum rates for intermediate points. Then on the following page you pass on to contrast those rates with the distributing class rates in the west?

A Yes.

Q And the following language was used.

"They have little, if any, effect in curtailing rates from intermediate points."

MR. COVERT: Excuse me a minute. I want to make sure that everybody knows just what brief you are talking about.

MR. EVANS: Perhaps I should have made that clear. I am referring now to the brief submitted to this Commission, and then I have one or two questions on the appendix submitted to the Board.

MR. COVERT: The reason I raise the point is that I noticed that Mr. Whitmore had in his hand the latest brief.

THE WITNESS: As a matter of fact, I assumed that the questioning would be based on the record of evidence, but it matters not to me at all.

MR. EVANS: If you do not intend to rely on any of the statements in the brief to the Commission, or in the brief to the Board, so far as this proceeding is concerned, I will be glad to be so informed. I have had the greatest difficulty, I may say, because there was first

the brief to the Commission, secondly the brief to the Board which was an appendix to the first, and thirdly there was the transcript, and last of all there was a mimeographed document which came into my possession last night, and which I am sorry to say I could not make agree entirely with the transcript. I had the greatest difficulty in deciding how I might approach the question of cross-examination. I did think that perhaps I had solved that difficulty by first directing my questions to the brief submitted to this Commission. Then I could go to the recommendations made by Mr. Whitmore in his other capacity as counsel, or in his argument, as you might put it.

THE CHAIRMAN: Unless the first brief is withdrawn you certainly have a right to examine on it. What page did you refer to?

MR. EVANS: I was referring to a sort of contrast that was made.

THE CHAIRMAN: You mentioned a page.

MR. EVANS: At the bottom of page 3 and at the top of page 4.

MR. COVERT: Excuse me for interrupting, but perhaps we can deal with it in this way. As I understand it the witness is willing to be cross-examined in the manner you suggest, first on his brief and the appendix.

MR. EVANS: I understood the Chairman to say that I was entitled to do that.

THE CHAIRMAN: The brief is here and is not withdrawn?

THE WITNESS: No.

MR. COVERT: Unfortunately - and that is why I

interrupted - Exhibit 10 is the appendix to the brief, but I do not believe that the brief itself was put in evidence. I am suggesting that we can resolve the difficulty by having the brief introduced now as Exhibit 10A. The whole thing will be Exhibit 10. If we do that then I think your cross examination can be --

MR. EVANS: I am not asking that that be done.

THE CHAIRMAN: We can substitute this document which we have this morning as the brief.

MR. COVERT: I think so.

THE CHAIRMAN: And the original brief will become an annex to that.

MR. COVERT: That is right.

THE CHAIRMAN: It remains in the same situation as far as Mr. Evans is concerned.

MR. COVERT: The only thing I wanted to do was to keep the record clear.

THE CHAIRMAN: Yes. That is done then.

EXHIBIT 10: Submission of Regina Chamber of Commerce, Saskatoon Board of Trade and Saskatchewan Associated Boards of Trade, plus Appendix.

MR. EVANS: Q. Then, Mr.Whitmore, the question I put to you was with regard to page 3, the bottom of page 3 and the top of page 4 of your brief to this Commission?

A. Right.

Q. Which is a part of Exhibit 10, and I was directing your attention to the contrast which you apparently intended to draw between the operation of the Schedule A rates in the east and the operating of the distributing class rates in the west?

A Right.

Q Now then, as I understand it, your suggestion is that the schedule A rates tend to become maximum rates to intermediate points whereas that is not true of the distributing class rates?

A Not to such an extent, in any event.

Q When you say "to such an extent" I wonder whether there was any design in your use of the word "from" when you talked of "from intermediate points" in the case of the distributing class rates. Would you have been content to have had the word "to" there?

A I thought it read:

"One result of this is that they tend to become maximum rates 'for' intermediate points."

Actually by the word "for" I meant from or to.

Q That is where I had some difficulty because I suggest to you that the schedule A rates in the east are published between town tariff points, and that the scale does not apply to the points between, and that therefore, as a matter of necessity they must operate as the maximum between, that is to say, to intermediate points. Are you aware of that?

A You say they must?

Q They must do because the scale of schedule A is not effective at the intermediate point, and they therefore must operate as the maximum. Are you aware of that?

A No, I cannot say that I was. My impression was they would operate as the maximum between intermediate points and the distributing centre.

Q That is perfectly true. That is the ordinary rule that applies in all cases where the rate operated to the point beyond does not apply in itself to the intermediate point. In the case of the distributing class rates, are you aware that the distributing class rates are published to all points from the distributing centre, and that there is no need to suggest that they operate as the maximum because they apply to the intermediate points?

A No, I had not been quite conscious of that angle of it.

Q Because I was wondering how deeply you had studied this question to determine whether there was any real way these two could be contrasted in the way you suggest.

THE CHAIRMAN: Mr. Evans, do I understand that these so-called town rates are used only in eastern Canada? Are there any town rates in the west?

MR. EVANS: No, they are not so called.

THE CHAIRMAN: They are called distributing rates?

MR. EVANS: Distributing class rates.

THE CHAIRMAN: But they mean the same thing?

MR. EVANS: They are differently constructed and they have a different origin and, of course, as I was pointing out to the witness, they have a very different operation. As a matter of fact, they are an extremely different concept. I can tell you, sir, that the town tariff rates were prescribed by the Board of Transport Commissioners in the Eastern Rates Case in 1916. The distributing class rates are a very different kind of rate

and, as we submit, have a very different kind of purpose.

THE CHAIRMAN: Have you distributing class rates in eastern Canada as well as town tariff rates?

MR. EVANS: No, sir. They provide the same kind of service to these town tariff points as distributing class rates do in the west, but they operate somewhat differently.

MR. MacPHERSON: That is one point that I think should be cleared up. The rates are relevant rates. There may be a difference but they are relevant rates. What is the town tariff in the east is regarded as the distributing tariff in the west. Our complaint in the west is that there are not the same privileges under the distributing tariffs that there are under the town tariffs.

MR. EVANS: I am told --

THE CHAIRMAN: I am trying to get at the difference. I want to make sure that the one nomenclature applies to the east and the other to the west.

MR. EVANS: That is true, sir.

THE CHAIRMAN: Then they are not exactly the same thing?

MR. EVANS: No, sir.

THE CHAIRMAN: What is the difference between them?

MR. EVANS: I will be glad to tell you that, but first may I make a correction. I said that the town tariff rates were prescribed by the Board of Transport Commissioners in the Eastern Rates Case in 1916. They were prescribed in 1907 in the International Rates Case. I hope that I can put the matter to you clearly. Town tariff rates apply

[illegible]

[illegible] we submit, have a very different kind of purpose.

THE CHAIRMAN: Have you distributing class [illegible]

M. [illegible]: No, sir. They provide the same kind [illegible] to close down traffic points [illegible] distributing [illegible] rates [illegible] in the west, but they [illegible]

M. MACPHERSON: [illegible] is one point that I think [illegible] could be clarified [illegible]. The [illegible] are [illegible] be a difference but they [illegible] town traffic in the east [illegible] in the west is that [illegible] there are under the town traffic.

[illegible]

THE CHAIRMAN: I am [illegible] the east and the other to the west.

[illegible]

CHAIRMAN: Then they are not exactly the same [illegible]

[illegible]

CHAIRMAN: What is the difference between [illegible]

[illegible] M. I will be glad to tell you that. But I make [illegible] presumed. I state that [illegible] town traffic [illegible] by the Board of Trade [illegible] Commission [illegible] Eastern Rates Case in 1913. They [illegible] accepted [illegible] International Rates Case. I hope that I [illegible] to you clearly. Town tariff rates [illegible]

between town tariff points. The scale of the town tariffs does not apply between a town tariff point and a point intermediate to two of the town tariff points, and because that is so the normal rate may be higher at the intermediate point than would be the case by applying the town tariff rate. When that occurs, under the ordinary rule that applies in nearly all cases except the case of competitive rates, the lower rate applies as the maximum to the intermediate point. The point made by the witness in the brief was that that was not true of the distributing class rates.

In the case of the distributing class rates what I was trying to point out was that there is no need, of course, to make them apply as a maximum because they apply in fact to those points, and that is one of the things that may have created difficulty in the mind of the witness, and I think perhaps in the mind of industry to a large extent.

THE CHAIRMAN: You have given me a case where you have two towns which enjoy the town tariff rate. They are town tariff rate towns, and you also talk of intermediate points.

MR. EVANS: Yes.

THE CHAIRMAN: Have you in mind in the west two distributing centres with intermediate points between them?

MR. EVANS: No, it does not operate that way.

THE CHAIRMAN: You have a distributing centre, and then you have areas that centre serves. Is that right?

MR. EVANS: That is right, and the rates apply

outbound to all points.

THE CHAIRMAN: But there are no intermediate points?

MR. EVANS: Of course there cannot be in that context.

Q I should like to turn now to page 9 of the brief to the Commission.

A By the way, I did not suggest, and perhaps should not suggest --

THE CHAIRMAN: Q. Well, what do you say about this, Mr. Whitmore? What is your complaint, if any? You are talking of a contrast. What are you complaining about?

A Mainly in two respects, the difference in levels--

Q The difference in what?

A The difference in the levels of the rates, the quantum of the rates, and also the difference, as Mr. Evans has pointed out, in their application. I may not have mastered all the details of it, but I understand there is a difference in the way in which the town tariffs in the east and the distributing rates in the west apply to certain traffic, and I suggest they should be assimilated if possible.

Q Do you think the difference is against you?

A Yes, I think it is.

Q I would like you to show us how. Does the brief you brought forward this morning go into that?

A No more fully than the other.

Mr. EVANS: Q. While we are on the discussion of differences between the distributing class rates and

the town tariff rates, are you aware that the practice in the west - this has been brought out before but I want to clear your thinking - on inbound movements to the distributing point is to publish those rates, where traffic warrants it inbound, as commodity tariffs, and they do not appear as distributing class rates but they are the same scale. Were you aware of that?

A No, I was not aware of that.

Q So if that is true to any large degree in the matter of traffic moving that difficulty you see in the difference might already have been removed?

A At least to the extent that these inbound tariffs are published, yes.

Q What I am really getting down to, Mr. Whitmore, is that we really have to know how this traffic is moving and what rates the actual traffic is paying before we can deal with this question of disparities. Would you agree with that?

A Yes.

Q Were you aware that the Board is now engaged in that kind of study?

A Yes.

Q Now then, on page 9 the statement is made at the top of the page, speaking of the so-called fictitious mileages, that they fail to provide as much relief as they furnish to other sections, and by that I assume --

THE CHAIRMAN: You are referring to page 9?

MR. EVANS: Yes, of the brief to the Commission.

THE CHAIRMAN: I have it.

MR. EVANS: I will be leaving that, and I will

draw it to the attention of the Commission when I go to the second part. This is the first brief to the Commission, Exhibit 10, page 9. You assert that the so-called fictitious mileages fail to provide as much relief as they do to other sections. By that I understand you to mean that they fail to provide as much relief to Saskatchewan as they do to other sections?

THE WITNESS: As much as they do to say Manitoba?

MR. EVANS: Q. Yes?

A Yes.

Q Now, then, are you aware of how these assumed mileages operate in the tariffs?

A I have read it a number of times and tried to master it but I would hate to recite it offhand.

Q Then may I suggest to you that the points west of Manitoba get exactly the same relief as Manitoba does?

MR. MacPHERSON: West of Winnipeg.

MR. EVANS: Q. Yes, west of Winnipeg.

A Taken from one point of view apparently yes; taken from another point of view apparently not.

Q Then is it so that your proposition is not that you do not get the same relief but that you want relief which in effect tapers upward with the distance west of Winnipeg? Is that not roughly your proposition?

A No, perhaps you misunderstand me. I am not at this moment, or anywhere in this submission, attacking the construction --

THE CHAIRMAN: Q. Attacking what?

A I am not attacking the construction or use of

the fictitious mileage rates. My only suggestion is a negative one, that they probably do not give us quite as much relief from normal rates as they might give to Winnipeg, Brandon and Portage, but I am not advocating at the moment at least any change in the construction or application of the fictitious mileage rates.

MR. EVANS: Q. That is to say, you are not now suggesting that the effect of these fictitious or assumed mileages be spread in a taper across western Canada culminating at what Mr. Frawley has chosen to call on many occasions, the apex, in Alberta. I just want to get what you are advocating.

A I think I can only say that I am content to leave the fictitious mileage rates in their present position in the general freight rate structure.

Q Unchanged in any respect?

A Oh, you may have to change them with respect to their levels.

Q Well, relatively as to their operation; you may have to change the effect of them when the rates go up or down, but I am not speaking of that. There is no difference in their application which you would recommend? As long as I have that clearly I want to pass on.

A I think the answer to that is no change.

THE CHAIRMAN: Q. That rather seriously affects the tenor of the first paragraph on page 9. You say there"

"Our central position places us outside of their most effective range and even the modicum of benefit that we do receive is largely offset by the

greater advantage which some other district receives from the same devices."

Do you say while all this is true there is nothing you want done about it? Is that what I understand?

A That is roughly it. It is a problem which has been attacked by the Board of Transport Commissioners on several occasions.

MR. EVANS: Q. I can tell you that Professor Stewart of Edmonton had a suggestion for the Board in the 21 per cent case by which the effect of that mileage would be tapered as you go westward from Winnipeg. I was wondering whether you were possibly a disciple of that school?

A No, it is a theory that I am neither supporting nor opposing. My initial feeling is that these rates are thoroughly embedded, and in spite of complaints it may be impossible to do anything with them.

THE CHAIRMAN: Q. Then do you take that as a basis?

A I think that would be one of the bases of the future rates.

Q Then you mean, I presume, by seeking relief in some other direction?

A Yes.

Q Which will bear this out?

A Yes.

MR. EVANS: Q. On the same page at the end of the next to the last paragraph this sentence appears:

"The higher cost of railway freight on the Prairies is one more contributing cause which deters the growth of industry", and so on.

In that did you mean industrial development as distinct from agricultural development, or do you have any distinction in your mind?

A I was thinking more particularly of non-agricultural development.

Q That is to say, manufacturing plants?

A Yes.

Q May I suggest to you as a pure matter of theory - and I am sure you will agree with this - that high freight rates between the east and west would operate as a tariff which would protect local industry of all kinds. Would you not agree with that? It is just a pure matter of theory but it must be so, I should think.

A There seems to have been a great deal of doubt expressed on that.

Q What are your views? Would you not agree with that general proposition? If you can get the railway freight rates low enough between the east and the west there would be no object in establishing industrial businesses in Saskatchewan. Is that not true?

A I think it depends partly on what type of industry you are establishing, and what the freight rates are.

Q That is what you want to have as an answer to my question, is it?

A Yes.

Q I am speaking of manufacturing plants that normally are found in the east, and you would not be prepared to agree with me that one way to keep manufacturing plants out of Saskatchewan is to have the

lowest possible rates between the east and west?

A That might work in some industries. I am not sure it would work in all.

Q All other things being equal, would you not agree that would be true?

A It is a thing I would hate to generalize on. I am not an economist.

Q Then I will now turn to the transcript. At page 1035 of the transcript you set out some commodity mileage rates?

A Yes.

Q You list commodities with regard to which commodity mileage rates are lower in the east than they are in the west, and then after the list is completed the concluding sentence in the last paragraph onpage 1035 reads as follows:

> "Its only purpose" -- that is to say, this list -- "is to present a few illustrations of a general trend."

May I suggest to you that is a rather extravagant statement?

Page 1388 follows

Is that your serious assertion here?

A. Possibly a majority trend.

Q. Well then, are you aware of the commodities with regard to which the reverse is true?

A. I could not give you a list, but I would readily agree that there are some.

Q. Would you agree as to building sand, gravel, and crushed stone?

A. I am not familiar enough with them.

Q. Building brick?

A. I am not familiar enough with it to know whether it is an example or either way.

Q. Drain tile?

A. Possibly, I do not know.

Q. Cement building blocks?

A. I am in the same position on that.

Q. Anthracite and bituminous coal?

A. I am in the same position on that.

Q. Fertilizers? As a matter of fact, fertilizers are the same east and west.

A. It may be.

Q. Horses, mules and ponies?

A. I do not know the differences, if any.

Q. Pulpwood?

A. Once, again I do not know the differences, if any.

Q. Mill refuse, edgings and cordwood for fuel under four feet?

A. I do not know the differences there, if any.

Q. Potatoes?

A. Nor there.

Q. Scrap iron and steel, for many mileages; that is one of your items, over 575?

A. I had under 575 miles. There is either a similarity in some cases or the railway rates are lower.

Q. I am suggesting to you that in your list, with the exception of fertilizers, which is the same, and scrap iron and steel, where there is some up and down, that the commodity mileage scales are actually lower in the west than in the east.

A. That may be.

Q. You would not say that the general trend is higher in the prairies, would you?

A. The consensus of opinion which I have been able to gather, without appearing to give evidence as an expert, is that a majority of trend is in favor of higher rates on the prairies.

Q. Surely this is not a matter of opinion. It is a matter of fact, is it not?

A. I would agree that it is a matter of very complex fact.

Q. Now, with regard to the rates on grain and flour, you have got grain listed as a commodity, and with regard to it the commodity mileage rates are higher in the prairies than in the east?

A. Yes.

Q. That does not include the vast movement under the Crows Nest Pass grain rate ?

A. It is not intended to, no.

Q. And that is a very small proportion of the grain moving in the west.

A. It may very easily be the non-Crows Nest Pass is small.

Q. But the non-Crows Nest Pass being small is one of the things you have listed as indicative of the general trend?

A. Yes.

Q. And I suggest to you that the difference which had previously existed, evenin these rates, the grain commodity mileage rates, was largely removed in the 21 per cent case. Are you aware of that?

A. I would not want to express any opinion on that.

Q. Are you not aware that the Board increased those rates in the east but not in the west, by 21 per cent?

A. That is on domestic grain.

Q. The grain commodity mileage rates?

A. I would have to refer to the judgment in order to check that.

Q. Now then, we come to your principal submission. Your basic idea is equalization?

A. Yes.

Q. Would it be fair to put it this way: that your remedy is equalization, but the evil to be cured is disparity?

A. As a cliche, sir?

Q. I am trying to put it to you shortly. I am not trying to be clever about it.

THE CHAIRMAN: What did you ask?

MR. EVANS: Q. I asked him if he did not think the evil to be cured was and was not his cure equalization. I was not trying to be clever.

A. I did not mean to be offensive with the word cliche. To put it shortly, that is it.

Q. And is it your view that this disease could be cured, this disease of disability, could be cured by the remedy of equalization?

A. Not of disparity, no.

Q. Let us take a level between the east and the west. Let us assume that you can establish disparity between east and west on your 10 per cent over-all. Is it your view that equalization of these tariffs, of which you speak, the standard tariff, distributing class rates, and the commodity mileage scales - that by that process you can eliminate the disparity?

A. I am speaking of equalization of the rates on corresponding traffic. I am not suggesting that everything should be reduced to one common level.

Q. Iwant to see whether you feel that your cure of equalizationof these rates will make up the disparity, whatever it may be?

A. I think so, yes.

Q. You think it will. Have you investigated what that disparity is?

A. The impression I am under is that it consists of disparities rather than of traffic to traffic.

Q. You are speaking of the kind of thing that Mr. Moffat did, the disparity which Mr. Moffat purported to show in his exhibit 326?

A. I think he showed only at the end an average of disparities, and they may be greater in some cases, and lesser in others, and non-existent in others.

Q. I wonder if you feel, after having studied that, as I am sure you have, if the kind of disparity - if it were proved, that Mr. Moffat found to exist - could be cured by this equalization that you propose?

A. I would suggest that equalization is a solution for removing some that can be removed.

Q. Is it your idea that the equalization which you propose would remove, by and large, the disparity such as Mr. Moffat found in his exhibit? I know what your point is about individual rates.

A. There may be prove to be many where disparity cannot be removed.

Q. But that is really not my question. I wondered if you felt, after studying Mr. Moffat's exhibit, and after giving consideration, as I am sure you have, to this problem, whether you feel that that proposal you make to this Commission will provide the remedy for such disparity as Mr. Moffat found to exist?

A. Yes, sir.

Q. That is all I wanted to know. Now then, if that were so, I want to take you, just for a few minutes, along the road with me to clear up this point: Commodity mileage scales on coal. Are you familiar with them?

A. No.

Q. That they are roughly equal on bituminous coal in the east and west; the Saskatchewan rates are a little lower than they are in the east. On either Alberta or British Columbia coal, the rates are a little higher. Assuming that to be so, your table, which you have taken from Mr. Moffat's exhibit, and it appears at page 8 of the appendix - you are

familiar with it, anyway, at page 1037?

A. Of the evidence, sir?

Q. Yes; and the list shows the extent to which the rates on various commodities are higher in the west as compared with the east, percentagwise. Are you following me?

A. Yes.

Q. And I am going to ask you whether you can account for the fact that although the commodity mileage scales on coal are approximately equal - but perhaps slightly in favor of the west - you could find that the rates on anthracite coal are 372 per cent higher in the west than in the east and on bituminous coal, 15.5 per cent higher in the west than in the east. Can you explain that?

A. It may be a matter of difference in the distances followed.

Q. Oh, that has all been - perhaps you are not familiar with Mr. Moffat's study?

A. Not in that way, no.

Q. Mr. Moffat took into account the average distance of hauls and all that sort of thing. The reason I put that to you is this: I suggest to you that with the equality of the scales of rates, you do not always cure the kind of disparity that Mr. Moffat is talking about, unless you consider other factors, other than mere equality of rate scales. Do you know what he failed to consider in that? Have you read the cross examination?

A. No. I have not had the opportunity of doing so.

MR. EVANS: All right, we will leave that.

THE CHAIRMAN: Can you tell me, Mr. Evans, what has not been considered and what ought to be considered?

MR. EVANS: I can give you the reference to the transcript, Mr. Chairman.

MR. CHAIRMAN: This is what took place at Winnipeg?

MR. EVANS: No. This is what took place in the 21 per cent case. Mr. Moffat's exhibit, which apparently is relied upon by Mr. Whitmore, - his evidence was given at pages 11894 to 11931; and I suggest that the Commission might appreciate this point I am making, if they read particularly at pages 11903 to 11927.

MR. MacPHERSON: Does that cover your cross examination of Mr. Moffat?

MR. EVANS: Yes.

MR. MacPHERSON: Well, if the Board is going to be referred to the evidence, then, in addition to the cross examination by Mr. Evans of Mr. Moffat - and I have not the reference here at the moment - there should be the reference as to the evidence given.

MR. EVANS: You do not need to argue about that. Iquite agree that the Commsssion should look at it. All I was trying to do was to point this particular thing up. But I have not a note as to the entire transcipt. If the Commission would like me to explain that point, Iwould be glad to.

THE CHAIRMAN: It would not do any harm.

MR. EVANS: In arriving at disparity, so called, disparity between the east and west, we contended that Mr. Moffat, in approaching the thing, and using as he did as a base factor in his calculation, the average revenue per

ton, and relating that to the tapering rates and the haul and so on, had overlooked the way the traffic had moved in the east. That is to say, the revenue per ton derived by a given railway may or may notrepresent the rate paid for the movement of the traffic because in some cases, while not in others, they have shared that rate with a connecting carrier; and behind the disparity, worked out as Mr. Moffat worked it out, there is lost sight of the fact, as I submitted, that in the east, this movement of coal, particularly, was a movement in connection with foreign carriers and that the rate per ton, derived from my company, which was the basis of his calculation, represented only a part of the rate paid for the movement of the coal.

THE CHAIRMAN: Where did the other part go?

MR. EVANS: The other part was paid by the shipper to the connecting carrier.

MR. MacPHERSON: I have no objection to my learned friend stating his view. Mr. Moffat was not my witness at that hearing, but Mr. Evans, I believe, would be the first to agree that there was very substantial argument in connection with this matter. Naturally he put forward his contention as he is now putting it forward, while the opposite was contended to it by Mr. McLean, who was acting for the province.

THE CHAIRMAN: We are interested in the facts. Was this contention of yours supported by the facts which came out?

MR. EVANS: I do not want to get into an argument with my learned friend. I would interpret Mr. Moffat's admissions, upon cross examination, to be very substantially

in our favor. But I do want to say this: That all I am putting to the witness and suggesting to the Commission is that you cannot measure disparities without knowing how the traffic is moving and what rates are actually being paid on the movement of traffic. Mere difference, or even resemblance, between scales of rates, differences betweenthemselves, or even equality, does not remove, and cannot remove, in my submission, the kind of disparity about which Mr. Moffat was talking when he was trying to measure it. I wanted to see if the witness understood there was a real problem which might not be solved by superficial equality of rate scales themselves.

THE WITNESS: I realize that.

THE CHAIRMAN: Was any finding ever made?

MR. EVANS: No. The Board treated it,in effect, as a revenue case. The disparity question arose in an attempt to treat it as other than a revenue case, and to take up some other considerations.

MR. MacPHERSON: I think, to complete the argument really this point was emphasized by those of us from the west, having regard to the horizontal increase that was suggested by the application.

MR. EVANS: May I proceed, sir?

THE CHARMAN: Yes.

MR. EVANS: Q. We have been discussing whether the remedy you propose would, ineffect, cure the disease.

A. I might add that possibly some of the exceptions to it might cure other cases. I am not defending equalization.

Q. All I am trying to get to you is what you advocate, andthis, before I approach the applicationof theremedy you

propose. I want to get one thing cleared up with you. With your familiarity with the Railway Act, I think you would agree with me that whatever power the Board may have - I am not arguing it at the moment, what it is - but whatever power the Board of Transport Commissioners may have, it may exercise of its own measure. Are you familiar with that?

A. The only fair answer I can give you is that I would like to be sure, eventually, that the Board could, of its own motion. I am not saying it cannot at the present time. Sometimes in reading the Act I am a bit vague on that point.

Q. Are you familiar with section 36 of the Railway Act? I don't want to argue it with you?

A. No.

Q. Let us not spend the time because we really must get on. I only mention it because you did seem to make quite a point about the Board acting on its own motion. I think you will find section 36 permits the Board, of its own motion doing anything which can be done upon application.

A. If and when changes are made, I would like to be sure that it is then enabled to act on its own motion just as much as it can now, and perhaps moreso. It may be a question of clarifying the powers, rather than actually extending them.

Q. May I clear away another little obstacle?

THE CHAIRMAN: Is this a matter of procedure? Is the Board constantly on watch over things, so as to proceed of its own motion, or does its attention have to be called to certain matters?

MR. EVANS: I would submit this: That human beings, being what they are, it would be impossible, outside of an

almost police state, to insure that the Board of Transport Commissioners could be familiar with all of the freight problems and grievances unless they are brought first to its attention. But I think it must be, as a regulatory body it must of necessity depend upon things being brought to its attention to make it work. Otherwise you have got such an enormous organization travelling around the country that it would be a very cumbersome procedure. But the witness seemed to consider that it was of very considerable importance that the Board should be able, and of its own motion. And I merely refer to section 36.

There is another thing I wanted to get cleared up. As I read your evidence, there is one thing clear in it, and that is, that the Board or anybody that may supervise the regulation of freight rates, must have the widest possible discretion?

A. I think so, yes.

Q. Yes; and then, more specifically, you suggest, among other things, that the existing commodity and special tariffs be retained as well as the competitive tariffs. That will be found at page 1039.

A. Not the existing commodity tariffs, but the theory of commodity tariffs.

Q. I will put it this way: I think I distinguish commodity tariffs from Commodity mileage scales. Many of the existing special commodity rates, could they be put that way? And your first thing is that you must retain those special commodity tariffs and those special class rates you spoke of, that would be the terminal tariffs?

A. I do not think I suggested that, sir.

Q. At page 1039 of the transcript, after dealing with these things, the following appears:

"Such tariffs, should, I admit, be retaind as a part of the Canadian freight structure. They perform a service which is useful, and which in fact, is almost essential;....."

I did not mean individual tariffs, I meant the scheme of those tariffs.

A. Oh, yes, they are all right.

THE CHAIRMAN: We shall have to adjourn now.

... At 1 p.m. the Commission adjourned tomeet again at 1.30 p.m. today.

Page 1403 follows

Regina, Saskatchewan,
June 10, 1949

AFTERNOON SESSION

---The Commission resumed at 2.30 p.m.

CROSS-EXAMINATION CONTINUED BY MR. EVANS

Q. Mr. Whitmore,at the adjournment I had discussed with you the desirability of a very broad discretion in the Board, and I had then branched into a discussion with you of some of the things which would be required in the way of specific matters in the existing scheme of things which would be retained under your proposals,and we had discussed the retention of many of the existing commodity tariffs and competitive tariffs and special class rates, and I was about to ask you or to suggest to you that one of your desires was to retain a certain amount of flexibility?

A. Yes.

Q. And then you desired, as I recall some part of your evidence, that there should be no sweeping application of the principle of equalization?

A. I would not say I desired that there should not, but I am afraid that there cannot be.

Q. Well, so far as your present proposal is concerned, there is no difference between the two?

A. Not in the end result, no, sir.

Q. Then I think you also spoke at one place in your evidence of a feeling that there should be no rigid application of any principle that you might write into the Act

A. That is true.

Q. And then I think you also expressed the view at some part of your evidence that there should be a skilful balancing of conflicting interests?

A. I think there will have to be.

Q. And then I think also you said that there should be no departures from the principle of equalization unless the departures could be justified?

A. Yes.

Q. Now, at that point, how would you propose that departures from the equalization principle could be justified? That, I assume from my reading of your submission -- and you will correct me if I am wrong -- would be dependent upon differences in local conditions?

A. Certainly among other things, yes.

Q. Well, perhaps you would like to add to that, but at least one of them would be, there would have to be some consideration given to local conditions, which must be different in many parts of the country?

A. Yes, that is so.

Q. And you say that is one among others; would you indicate further?

A.Well, I could only do so by repeating page 1050 of the evidence.

Q. Well, I will see what that is. Perhaps if you have it before you you could tell me, without repeating the whole page, some of the things that you felt ---

A. Well, for instance, I think the effect on the net revenue and business of the railways.

Q. Yes?

A. The effect on the business of shippers.

Q. The business of the shippers?

A. On any shipper or any shippers; the national interest and the interests of the public.

Q. Now, perhaps we could take those just for a minute; I don't want to be too long. The revenue of the carrier of course is something which the Board now takes into account; is that not so?

A. Yes.

Q. And it certainly does under the present principles, I think you will agree, take into account the effect on the business of other shippers?

A. Perhaps not as freely as I hoped it would under a newer jurisprudence.

Q. At all events, it does take into account prejudice against a competitor of one shipper, doesn't it?

A. Yes, I think it does.

Q. And you would go further and you would measure the extent to which the Board might take into account the effect on the business of another shipper?

A. It is rather a negative concept, I suppose, because these are considerations which would justify a departure from equalization.

Q. I quite agree, and we are just trying to find out, at least I am trying to find out, what you have in mind about the extent to which a Board might justify these differences.

THE CHAIRMAN: Would you please tell me what page of what document you are referring to?

MR. EVANS: The witness referred to page 1050 of the evidence.

Q. Did you want to add something to your previous answer?

A. No. As a matter of fact my design here is to give further guidance to the Board and yet to refrain from fettering their hands too closely.

Q. Well, later on I want to ask you one question about that. In the meantime, while discussing the things that you want to retain or that you want to have preserved, I gather that you make a particular point of desiring to retain that part of the Act which deals with the principles of unjust discrimination and undue preference?

A. Yes, I would retain them, but I think subordinate their position somewhat.

Q. You would subordinate that, as I understand your suggestion, to the principle of equality or justness or reasonableness, or what would you subordinate it to?

A. To both of those.

Q. And by subordination I gather you mean that it would occupy a much less important position as regards the complaints that would come before the Board?

A. Yes, I would try to avoid a position which I think exists at present, under which the main test and sometimes the only test is unjust discrimination.

Q. Now, perhaps I could just get from you this: do you not make a distinction between the powers of the Board as regards its power to fix just and reasonable rates and its power to disallow a rate because of unjust discrimination?

A. I think they are two principles which should be exercised concurrently, though I am inclined to think that if you introduce a greater measure of equalization, then the ancillary doctrine of unjust discrimination may in effect play a lesser part in decisions.

Q. Well, I might have some differences on that.

A. Oh, yes.

Q. But I accept your answer as being your view.

A. Yes.

Q. But what I really wanted to get from you was this, that unjust discrimination may be one thing, but the justness and reasonableness of rates is another?

A. I think so.

Q. And when you are talking in terms of rate levels and rate disparities, although no unjust discrimination exists, would you not agree that the Board could consider these other factors in considering under its broad discretionary powers the justness and reasonableness of rates?

A. I think they should, but I am not sure that at the present time they do.

Q. Perhaps we could put the question this way: whether they do or whether they do not, would you not agree that they have power to do so?

A. That is what makes me wonder, sir, whether I am really suggesting extension of powers or clarification.

Q. That is my difficulty, frankly ---

A. Reading reports of their judgments as well as I can, I think that they seem to doubt whether they do

possess the power or the duty to take those other factors into consideration, and I think that at least the Act should be clarified so as to require them and empower them to take these other circumstances into consideration.

Q. And you think that should be done whether or not the Act could now be construed as to whether they have that power?

A. Yes, I think it should be at least amended to indicate clearly that they have the power.

Q. Now, when we go into this question of justifying differences -- and I think you said that among the matters that should be taken into account are local conditions -- I suppose you recognize that local conditions have an infinite, almost, number of variations?

A. Yes, they do.

Q. And may I suggest to you this, with regard to your definition of what the Board should do by way of applying the principle of equalization, that, having regard to the necessity for taking into account an almost infinite number of local conditions, your definition does not differ materially from the discrimination section of the Act, Section 314, subsection 1? Have you considered that? You see, the principal difference there is "under substantially similar circumstances and conditions," and actually, on the infinite number of local conditions that have to be taken into account, you have really got to write that into your section, haven't you?

A. No, sir. As I read Section 314, subsection 1, it is also limited by the expression which seems to modify "traffic" "passing over the same line or route."

Q. Yes, I think you are quite right on that; but as far as the consideration of local conditions is concerned, you would really have to take into account or write into your definition substantially those words, "substantially similar circumstances and conditions." Those words would have to obtain before the equality could be reached?

A. Yes, though I am inclined to put the onus on the other foot and suggest that equality should be reached unless there are substantial differences.

Q. You would simply change one word, then, in that part, and you would think you would get a different result?

A. I hope that by so doing we would get a different prima facie result.

Q. You do not, then, agree that as it now stands the onus does rest on the railway company, when a challenge is made?

THE CHAIRMAN: That is, the company must show the existence of different circumstances and conditions; is that your view?

MR. EVANS: Yes.

Q. Section 319 deals with that question, and it says:

> " . . . the burden of proving that such lower toll or difference in treatment does not amount to an undue preference or an unjust discrimination, shall lie on the company."

You do not think that that is sufficient onus, because,

as I understand it, 314(1) merely says that you must establish that the circumstances and conditions are similar?

A. And that the traffic is passing over the same line or route.

Q. Well, we are dealing with them one by one. I quite agree with you, that you have another difference in your definition which I think we can narrow down; what I am trying to do is to narrow down your position.

A. Then my attack on 319 is not so much on the burden of proof where unjust discrimination is alleged, as the implication which it seems to create, that the major and almost decisive test is whether or not there is discrimination which is unjust, and I would like to see the Act so changed that disparities or inequalities require justification, even though you cannot ---

THE CHAIRMAN: Q. Do you say that the Act ought to provide that there shall be no discrimination whatever?

A. Except where it can be justified.

Q. Well, if the onus is on the railway, you have practically that.

MR. EVANS: Q. I was just about to suggest that, apart from this question of being on the same route, when you get down to it, Mr. Whitmore, don't you really get down to this, that what you really say is that you feel that the Board has not performed its function as you would like to see it performed, and that the real substantial objection that you have is not to the powers of the Board but rather to the way that they have

exercised them?

A. That is the end result, yes. I think that in doing so they have enunciated principles which now require some change.

Q. Thank you.

THE CHAIRMAN: Now, are there any other questions?

MR. O'DONNELL: I wanted to ask him just one question, my lord.

CROSS-EXAMINED BY MR. O'DONNELL

Q. At page 1038M of theevidence, Mr. Whitmore, one of your exceptions is "possibly other special circumstances"?

A. Yes.

Q. What does that envisage? What would you consider as other special circumstances?

A. At the moment, sir, I cannot suggest any, but I think that type of provision may become necessary to avoid fettering the Board too much.

Q. Well, that was just the point I had in mind. Is it not better that the Board should be unfettered and be able to take care of and consider each case on its merits? There are hundreds of thousands -- in fact there are millions -- of rates?

A. I gather there are, yes.

Q. Millions. And is it not a hopeless task to do anything more than the present Railway Act does, which is to give the Board the widest power to look into all cases? You would not suggest fettering that

power, in the circumstances, would you?

A. I think more guidance should be given to them on the principles that they are to apply, but yet I have no desire to make them too rigid.

Q. No; I cannot see how it would operate if you did, because you heard, I think, that last year alone there were I think some 39,000 or 40,000 tariffs filed, and many of those contained many items. Now, to fetter the Board so that it cannot look into each one and deal with it in a broad way under what Chief Justice Rinfret has termed the most sweeping powers, is something that I would not think you would advocate; is that not a fair way to put it?

A. Will you repeat that again, sir?

Q. Well, do you advocate that the Board should be fettered by an endeavour to enunciate some principles which would take into their purview what you have set out at page 1038M of the transcript as being possibly other special circumstances? How are you going to define "possibly other special circumstances"?

A. That would have to be left to the Board to define in building up exceptions from the equalization principle, just as they now define the extent of the fetter which is imposed on them by the requirement of justice and reasonableness and by the requirement of unjust discrimination. The Board to some extent is fettered today.

Q. Well, do you suggest fettering them any more? That is all I am trying to get at.

A. No.

Q. Now, take again on page 1042 and 1043, at the bottom of 1042 and the top of 1043: you say there that you would retain the concepts of unjust discrimination and undue or unreasonable preference, and then you go on to say that those concepts of unjust discrimination and undue or unreasonable preference should be shorn of some of the aspects of all-sufficiency which they seem to possess at the present time. Now, what exactly do you mean by that?

A. I think the theory is a few lines lower down on the same page. The theory which these sections now seem to engender is this, that where there are differences in rates for similar traffic in different regions the only test is whether those differences amount to discrimination which is unjust; and I suggest changing the Act so that those differences become improper unless they can be justified.

Q. Now, how do you justify them, is what I want to get at? What are your ideas as to what should constitute justification in those circumstances?

A. Well, those again are repeated at page 1050. Certainly competition would be one circumstance which would justify discrimination.

Q. And didn't you tell my friend Mr. Evans that local conditions would justify discrimination?

A. I said or meant to say that they might.

(Page 1415 follows)

Q What measure are you going to use for testing that unjust discrimination other than the methods that have sprung up through the forty-six odd years, I believe, that the Board has been operating and controlling all rates in Canada? The Board was first established in 1903. You do not suggest that all that long line of jurisprudence, which the shippers know and the carriers know, and which has been built up as a matter of trial and error and experience through the years, should be abandoned?

A Not all of it, no

Q What substitute have you in mind because you say that some of it should be shorn of the aspects of all-sufficiency? Just what did you mean by that? In other words, when the Commission, having reviewed and considered your evidence, comes to the drafting of its recommendations what will they understand should be a subject for shearing?

A I think that the basic principles should be the three outlined towards the foot of page 1042.

Q Then you always get back to your exception, which is except where they can be justified?

A Yes.

Q So we are just going around in a circle?

A I do not think so.

Q Well, do you not agree with me that at the present time the Board, having the broadest and widest powers to go into all these matters, can determine within its discretion and in keeping with the powers which have been accorded it, what constitutes an exception which can be justified?

A Today they tend to apply the test, is this

difference something which amounts to unjust discrimination.

Q What do you say that the words "just and reasonable" which are in the Act today mean? You do not suggest that the Board does not fix rates on the basis of justness and reasonableness?

A I think at the present time those words apply rather as between the railway companies and the shippers whereas the differences between the different groups of shippers fall now rather under the unjust discrimination doctrine.

Q Do they not take into account differences in these local regions and local conditions, which you agreed with Mr. Evans should be taken into consideration?

A I think they make a change on the basis of that only if they find it is resulting in unjust discrimination.

Q Well, what do you suggest should be the test other than that?

A I think the differences should be prohibited.

Q Under your scheme there would be no difference at all?

A Except where they can be justified.

Q Then are we not right back to where the Act presently leaves the matter?

A Well, I still think not, sir.

Q There is just one other thing. At the top of page 1038M you first mention the matter of the interests of the public and the national interest. And you said there that you were wondering last night whether they are the same thing or not.

A What page?

Q Page 1038M. That is where you use the words "interests of the public." Have you the interests of the public as a consumer in mind or as a producer?

A I think both.

Q Or as a shipper?

A I think both.

Q Everybody?

A The interests of the public or of large sections of the public.

Q I suggest the consumer or producer or shipper?

A Yes, or any groups of them.

Q Now, what is your understanding of discrimination which is justified and unjust discrimination? Do you make some difference between the terms "discrimination which is justified" and "unjust discrimination"?

A Apparently at the present time there are differences in the standard rates in effect in eastern Canada and in western Canada, but as the expression "unjust discrimination" is defined by the judgments of the Board those differences do not amount to unjust discrimination, and therefore are not prohibited.

Q And they would not be under the words "local conditions being given effect to"?

A That would be for the Board to decide.

Q At the top of page 3 of your first brief, the one dated April 13, 1949 --

A Page 3?

Q Yes. You state there that the general level of eastern rates has always been lower than the general level

of the Prairie rates. What allowance or consideration did you make or give to the matter of the grain rates when you were drafting that particular statement at the top of page 3? What weight did they have upon the statement that the eastern level was lower than the general level of the prairie provinces?

A They might easily be excepted.

Q They might easily be excepted?

A Yes.

Q But that is not a reply to my question as I understand it. Did you give any consideration to that aspect of the traffic when arriving at that sweeping statement that the general level of eastern rates has always been lower than the general level of the prairie rates?

A I will put it this way. I was considering rates other than the statutory rates on grain, and those which have been made similar to them.

Q You did not take those into consideration at all?

A No.

Q In other words, you did not consider the traffic as a whole?

A I tried to consider it with those exceptions.

Q If you take out a large portion of one section of the traffic and merely consider the balance of that section against the rest of the traffic you are scarcely making a comparison of like with like, are you? You were purporting to compare the east with the west, and on your statement you withdrew or withheld or did not take

into consideration a very large portion of the western traffic, that covered by the grain rates?

A Is there a large volume of grain produced --

THE CHAIRMAN: Which is what?

MR. O'DONNELL: Covered by the grain rates.

THE WITNESS: Is there a large volume of grain produced in eastern Canada moving to the lakehead?

MR. O'DONNELL: Q. I am asking you if you took into consideration in making that very sweeping statement the considerable portion of traffic which moves on the grain rates, and which covers traffic east or west out of western Canada, whether it be west to Vancouver or east to Fort William, and I understand you to say that you did not?

A That statement applies to traffic other than grain and grain products covered by statutory rates, and those similar to that.

Q I have just one other question with respect to that. What consideration or weight did you give to the matter of the densities of traffic in the east compared with the west? Did you go into that aspect of the matter at all?

A I do not think that enters into the statement. I am speaking of the level of rates and not at that stage of the justification or reasons for these differences. I am speaking of levels.

Q Would not the fact that at one point in the country there are ten trains a day or ten trains an hour operating as against one train a day in the other section of the country have some bearing on the level of rates

and the revenue which accrues from the rates?

A It might under some theories justify a difference in levels, but I do not think it denies the fact that there are differences in levels.

Q In your view would differences in levels possibly be justified in the final analysis by the amount of business or traffic which is handled in one section compared with the other section in arriving at what, in the final analysis, are just and reasonable rates?

A I am inclined to concede that operating costs are one factor that the Board may take into consideration.

Q And with respect to that I turn to page 7 of the brief where you make mention of that very fact, that between the prairie region and the Pacific coast, but lying outside of the prairie region, are two vast mountain ranges where the cost of railway construction, maintenance and operation is abnormally high?

A Yes.

Q You consider, as I understand it, that that situation is one which should be taken into consideration in fixing the rates in that particular area?

A It is one of the factors that could be taken into consideration by the Board, although this was written before the decision in the mountain differential case.

Q You did not revise your statement after the mountain differential judgment was issued?

A No.

Q Effective the first of July, 1949, rates are to be the same in the mountains as they are in the prairies. In the light of your statement at the top of page 7 of

your brief would you consider that is a proper situation?

A That they should be the same?

Q Yes, in view of your statement that the cost of railway construction, maintenance and operation is abnormally high in the mountains, on your theory of rate making under the circumstances should the rates be the same? Where does your equalization theory go in the face of that statement? That is what I am endeavouring to find out.

A I can only suggest that is one more step towards equalization, one step that has actually been made.

Q But is it a proper one in the light of the fact, as you put it, that the situations are so different from the point of view of railway construction in the first instance, and maintenance and operation in the latter instance? Should the rates be the same?

A I gather that the Board has now found --

Q I am asking you. I know what the Board has found. I am asking you if, in the light of your submissions and suggestions, the rate should be the same? As I understand it this Commission has the fullest and broadest powers to review the entire transportation situation.

A Having read the judgment in the differential case I may have to revise my statement that operating costs there are abnormally high.

Q I see. You made no study of the matter yourself before you wrote that statement at the top of page 7?

A I mastered it as well as I could.

Q Can we take it from what you have said that broadly speaking you have made no extensive study of individual rates or individual rate scales, nor have you

looked into the history, the reasons for the rate or rate scale having been established in the first instance?

A I would not want to say that I did not look into those factors. I may have misjudged them.

Q Would you say you looked into them very extensively?

A As far as I could, yes.

Q Have you ever engaged in the matter of rate making?

A No.

Q Have you ever been employed by a carrier?

A No.

Q Or a shipper?

A No.

Q Would it be fair to put it that your experience and interest - and I understand you are a professor of law and have other activities - in the rate matter is a relatively recent one in so far as giving it any study or attention?

A Yes.

Q I think you were fair enough to say this morning that it dealt with very complex facts?

A Yes.

Q Which would require, I take it, a study by experts in the final analysis?

A Oh, yes.

Q You would agree, I take it, that in certain areas rates should be different from those in other areas in the light of what you have said. Would it be fair to say that you would concede that in eastern Canada, where

there is water competition, that is a factor that should be taken into consideration?

A In the case of a good many rates, yes.

Q You read the other day from the judgment of the Board at page 62. You stopped reading several sentences before the point which I think conveys what was meant. I refer you to page 62. You read:

> "While in many instances on certain traffic moving" -- this is the judgment of the Chief Commissioner -- "between points on the prairies, the rates there are lower than on the same traffic in Ontario-Quebec, in other cases the reverse, of course, is true. The general rate level as a whole in Ontario-Quebec is below that in the prairies, and the reasons and justification therefor have been set out at great length in various judgments of the Board, the fullest statement in this connection being contained in the judgment in the Western Rates Case (17 C.R.C. page 123)."

I think you stopped about there, did you not?

A I stopped there, yes, sir.

Q We will just go on.

> "Lower rates in eastern Canada are compelled by water competition, combination of water and motor truck competition, as well as rates established by the United States lines,particularly so far as export and import traffic is concerned. The water competition extends throughout eastern Canada from its eastern coast to Fort William and Port Arthur. These compelled lower rates have resulted in benefit to western Canada

for the reason that traffic moving between eastern and western Canadian points obtains the benefit of such lower eastern rates for the portion of the haul within eastern territory, with the result that rates to and from points in western Canada far removed from the water obtain the advantage of the compelled rates for the eastern portion of the haul."

You do not quarrel with that?

A As a general statement, no.

Q Do you think that is an example of different conditions prevailing in different areas which warrants a difference in rates?

A Certainly effective competition is, yes.

MR. O'CONNELL: Thank you very much.

COMMISSIONER ANGUS: I should like to ask one question of a very general character. Your brief is one of the few, and perhaps the only brief, that has been comprehensive in suggesting general recommendations that this Commission might make, and we have had a good deal of examination on those details. The question I want to ask is really about its scope and purpose. Do you consider that the changes that you propose in the powers of the Board of Transport Commissioners, and in the policies that that Board should follow, go far enough to meet the situation that has been disclosed in a way in these hearings, in the first part of your brief, and in a great many of the briefs presented here and in Winnipeg? I have in mind two things. First there is a general atmosphere of suspicion regarding the mysteries of rate making, and all the differences between rates in

one set of circumstances and in another. There is a suspicion perhaps that rates are high, or relatively high, for reasons that are no longer valid, and that one part of the country may be paying more than its fair share of the cost of transportation.

Page 1428 follows.

The second statement that I have in mind is the suggestion that industries which might be able to face the freight rates of today, or eventhose rates which might be increased, would find themselves in difficulty if there were a fall in prices. I think it is suggested that if agricultural prices fell while costs did not fall, there would be hardship and suffering and so on; and that the railway rates, once raised, might have to be kept up, because the railways needed the revenue, because their costs had not fallen; their wages, costs, and so on, and that various people seemed to be apprehensive of being in a position in which they have to meet costs - costs which are dependent in part on freight rates in this region, and to sell at low prices - relatively low prices - besides paying the higher freight rates, excepting of course, on grain.

Do your proposals meet both those difficulties, or are they mainly concerned with the first one? And is it left with the Commission, with the assistance, we hope, of the railways and the provinces, to try to devise some way of meeting the second one?

A. That is a very hard question to answer, sir, directly, the way it is put.

I did hope, and still do, that if these recommendations are implemented, not only will there be some lightening of the financial burden on the west, but particularly, also, by a partial dispelling of a sense of grievance. I think the grievance is sometimes thought to be greater than it actually is; but I do feel there is a sense of grievance. And I think that these recommendations, quite possibly, then, would assist not only in lightening the financial burden,

but in dispelling a sense of grievance and in removing friction.

At the same time, the definite recommendations that I have made are, I think, fairly limited in their scope, and I doubt if they provide any definite panacea for all the ills.

There are others, such as some form of national subsidy, but I am not supporting it, and I am not opposing it. My only comment is, that if such a recommendation were made and implemented, my recommendations would largely fit in with it and would not be contradictory to it.

There are two things, a sense of grievance and a feeling of economic insecurity in events whichare anticipated or feared.

A. Yes.

Q. As I understand it, your recommendations are mainly concerned with the first, the sense of grievance, and considerably less with the second. Is that right?

A. I do not think my recommendations would provide any totally complete remedy for that sense of insecurity, for although there might be equalization, there would be the danger of such terrific fluctuations of the whole economy that the remedy resulting from equalization -

Q. In accordance with your proposal, the Board of Transport Commissioners is to apply considerations of national interest. Does that mean national interest according to some accepted standard, or is the Board to define national interest from time to time on its own ideas?

A. It is an expression which is used in section 36 of the Transport Act, and I would be the first to admit that

it is a rather nebulous expression, although it is used in the statutes. I thinkit would be an expressionwhich the Board would have to interpret from time to time as an administrative body in the light of the facts as they existed then and of the political theories of that particular time.

THE CHAIRMAN: What is the year of the Transport Act?

MR. O'DONNELL: 1938.

MR. MacPHERSON: That is the Transport Act, not the Railway Act.

THE CHAIRMAN: I know.

MR. O'DONNELL: Statutes 2 George VI, chapter 53, and it has been amended several times.

THE CHAIRMAN: What does section 36 of that Act say?

THE WITNESS: I used it for only one very brief reference. It is a statutory use of the expression "national interest", in the broad field of fixing railway rates.

Q. THE CHAIRMAN: Have you the Act there?

A. Yes.

Q. Would you read it to me?

A. Yes. It is section 36, subsection 1, and it is a rather long section.

Q. Where is the part about consideration tobe given to "national interest"?

A. ".....and if the Board after hearing finds that the effect of such agreed charge upon such kind of business is undesirable in the national interests the Board may make an order varying or cancelling the agreed charge....."

Q. It looks as if the Board applies its own considerations of "national interest".

A. I would think so, Mr. Chairman.

Q. There is no standard set up there.

MR. O'DONNELL: No. I think the Act allows the Board, which is versed in these matters, to handle it as it might, in its own discretion, and under its very wide powers.

THE CHAIRMAN: It is for the Boardto make up its mind whether the national interest is indicated in the matter.

COMMISSIONER ANGUS: Q. Here, we are using "national interest"in the broad sense as interpreted by the Board.

A. Yes.

CROSS EXAMINATION BY MR. COVERT

MR. COVERT: Q. There are just a few questions I would like to ask Professor Whitmore, would you turn to page 1038-L of your evidence where you lay down the fundamental principle and you say that:

"Except to the extent that differences are made necessary by possibly four factors. They are (1) effective competition."

Are you stressing the word "effective" there, down towards the bottom of the page?

A. As a matter of presentation at the moment, I am, yes. Butwhether you would put that adjective in, when drafting a new section, is a thing I havenot decided.

Q. But did you have somethingin mind, for example,

perhaps that the effectiveness of the competition is not as closely watched as it should be; perhaps rates, which are put in when there is effective competition, after the effective competition disappears, that rate still continues?

A. The Board does consider the effect of the competition but there seem to be many who claim that it does not do so. I think it should be made clear to the carriers as to the genuineness of those allegations for the sake of the removal of suspicion.

Q. I understand that there are some kinds of competitive rates which have to be put in very quickly on the part of the railways in order to get the business. I suppose it might be difficult to examine the effectiveness of the competition at the time the rate was put in. In that case would yousuggest that perhaps it should go in, subject to being taken away, if the Board investigated, and found that the competition was not effective?

A. One second, sir, please. The answer I think I should give is at page 1041. I do not go to the length of advocating that changes in special and competitive tariffs should be subject to the approval of the Board.

Q. Not at all?

A. Theyshould, I think, be subject to the power of subsequent cancellation and alteration.

Q. I thought that was the only way you could combine page 1041, and emphasis of the word "effective" on page 1038-L.

A. I think I would still leave the railways with the privilege of introducing competitive rates, subject to a slightly further power than now exists of attacking them.

MR. EVANS: Q. You will find at page 1050 where the witness has already recognized not only the effective competition, but potential competition. That was item 3 on page 1050. Perhaps you have already got that?

A. Yes.

MR. COVERT: I beg your pardon?

MR. EVANS: Q. I was referring to item 3 at page 1050 of the transcript.

A. I was not using the word "effective" as meaning existent, but rather as synonymous of compelling, or convincing.

MR. COVERT: Q. Where you refer to the jpublic, in "national interest of the public", and , "national interest", I want to get that clarified. You say that when you refer to public interest, it may be the interest of a portion of the public in a particular area?

A. I think it might be, yes.

Q. But that might not be in the national interest, as a whole?

A. Well ---

Q. It might be, but it might not be?

A. I do not think it should be opposed to the national interest, I mean the interest of the state as such, possibly in times of war, bynational interest.

Q. That is the distinction you draw between the two, "national," as applied to the whole; and public, that might apply to a certain section?

A. Once again, in principle, I would like to have the Board empowered to be able to consider all these features;

but the matter of the language you would use in introducing the amendment is something I have not decided as a matter of terminology.

Q. One other point, at page 1038-O you say:

".....Some of them are of such long standing that theyhave become an integral and fundamental part of the Canadian freight rate structure....."

That you feel that these should be retained.

A. I don't like to split hairs. I am not suggesting that they should be retained. I think it might be impossible to remove them.

Q. Yes, because of the length of time that they have been in operation?

A. The length of their duration and use, the use that has been maee of them, including industries which have grown up on the basis of them.

Q. Is there any conflict between that philosphy, possibly, and the statement at the bottom of page 1038-P, and 1038-Q, where you say:

".....We do not subscribe to any theory of vested rights in existing freight tariffs....."

A. I thought they were virtual repetitions of the same idea. I would like equalization. But of necessity, equalization may have to come rather slowly.

Q. In the one case you say it is because they are of long standing, and that it may not be possible to remove them; and in the other case you say you do not subscribe to the theory of vested rights in existing freight tariffs; and you say that those two are consistent, because you say

it is just that they cannot be removed because of what has grown up because of them.

A. Even where these specialized rates exist, it may be possible to remove them gradually, but slowly.

Q. Now then, on page 1038-P, your item No. 7, you say you do not wish to question the principles involved in the Maritime Freight Rates Act of 1927?

A. Yes.

Q. Is that because it is a statutory tariff, or is it because , perhaps, it comes within one of those things referred to on - -

A. I wonder if I should put it this way: My own reaction to that is rather neutral. If other interests demand its removal, I am not advocating its retention. But I am not demanding its removal; and I think it may be one of those interests which has so long continued that it could not be removed abruptly.

Q. I see. And the last point I want to deal with is on page 1040 where you talk about the very skilful balance of conflicting interests by a specialized body equipped with adequate powers; and you go on to say:

> ".....it must be, I think, left to the Board of Transport Commissioners to investigate and to take effective action when the occasion arises."

What I would like to find out is this: Are you suggesting that the members of the Board of Transport Commissioners should have a more specialized knowledge of the freight rates structure, or are you suggesting that they should, perhaps, have more experts?

A. I am not making any affirmative suggestions on

that matter at all, sir. By this specialized body, I mean, at the moment, the Board of Transport Commissioners.

Q. Yes, and not their staff?

A. Well, the Board of Transport Commissioners, with the assistance of their staff. But the decision emanates from the Board itself.

Q. I think that is all, sir. No, I am sorry, there is one more thing. At page 1042, the first paragraph, you say:

"Section 325(subsection 1 and 5) at the present time does in a rather oblique fashion state that tariffs shall not be unjust or unreasonable."

I was wondering if you were suggesting that perhaps the word "may", in the first line of section 325 should be "shall"?

THE CHAIRMAN: How does it read?

MR. COVERT: It reads:

"The Board may disallow any tariff or any portion thereof which it considers to be unjust or unreasonable..."

And then it goes on. Are you suggesting that "may" should be "shall" there?

A. That is something which I had not considered. That is one of these details of draftsmanship to which I had not given much attention. But the use of the word "oblique" came from a rather peculiar construction of the first two lines of the section. I could not find any section of the Act which says that tariffs shall be just and reasonable; but rather the indirect approach: The Board may disallow any tariff or any portion thereof which it considers to be unjust or unreasonable. I think, in the end result, the

result is the same, but the expression of it is indirect.

Q. I thought you said that the Board may disallow any tariff or any portion of it which it considers to be unjust or unreasonable; but they might find it to be unjust or unreasonable and still not disallow it. But that is not what you have in mind?

A. No.

Page 1438 follows

COMMISSIONER INNIS: Q. Mr. Whitmore, arising out of Mr. Covert's questions, I wondered whether it would be fair to say that you are very much concerned that there should be no sudden changes in rates; I infer that from your emphasis on the gradualness of changes in rates?

A. Well, I would certainly think there should not be any sudden change in the relation between rates, for fear of dislocating other branches of the economy.

Q. Well, I wondered whether your whole position was in part determined by the evidence which we have had in practically every brief which has been brought before us, of anomalies that have been sharpened by the blanket increase in rates. We could go through case after case showing the way in which these anomalies have been accentuated, and I wondered whether you were fearful that they were being given too much prominence, and consequently you wished to have the Board check -- one could mention, for example, a rather extreme case this morning, of an increase from 35 cents to 75 cents on eggs. Now, is it your view that the Board should be so constituted, or perhaps I should say so conduct its work, that that type of change would be impossible? Is that fair?

A. I think I would like the Board to have slightly clearer power than it has now of preventing that sort of thing and others. Actually, sir, my use of the concept of gradualness was rather a modification of my main theme. I would like to see equalization, but I am prepared to concede expressly that it is

something which cannot be introduced in a sweeping fashion overnight.

Q. You did not have in mind the sort of evidence that has been before us both here and in Winnipeg as to the specific briefs?

A. No.

THE CHAIRMAN: Then we will adjourn to Calgary.

--- At 3.35 p.m. the Commission adjourned to meet again at Calgary, Alberta, on Monday, June 13,1949.

A.R.

ROYAL COMMISSION
ON
TRANSPORTATION

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VOLUME

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ROYAL COMMISSION ON TRANSPORTATION

CALGARY, ALBERTA
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ROYAL COMMISSION ON TRANSPORTATION

CALGARY, ALBERTA,
Monday, June 13th, 1949

THE HONOURABLE W. F. A. TURGEON, K.C. LL.D. Chairman

HAROLD ADAMS INNIS Commissioner

HENRY FORBES ANGUS Commissioner

- - - - -

G. R. Hunter
Secretary

P. L. Belcourt
Asst. Secretary

- - - - -

ADDITIONAL COUNSEL:
Mr. H.G. Nolan

Representing:
Edmonton Chamber of Commerce;
Calgary Board of Trade;
City of Edmonton; City of Calgary;
Louis Petrie Limited;
The Alberta Co-operative Union,
The Brock Company (Western) Ltd.

- - - - -

THE CHAIRMAN: Very well, Mr. Covert.

MR. COVERT: Mr. Chairman, the first brief is the joint submission of the Edmonton Chamber of Commerce, the Calgary Board of Trade, the City of Edmonton and the City of Calgary. I should like to say now that I understand the submission of Rockwool Products Limited, which is No. 5 on the agenda, has been withdrawn. This morning I think we might have the first four submissions read and have the cross-examination of the witnesses taken up afterwards. It might tend to expedite matters as Nos. 2, 3 and 4, the submissions of Louis Petrie Limited, the Alberta Co-Operative Union and the Brock Company(Western) Limited are really in support of points raised in the joint submission.

THE CHAIRMAN: Is that agreeable to all concerned? I understand that Nos. 2, 3 and 4 are very largely in support of No. 1. Is that right?

MR. EVANS: I may say that I said to my friend that I felt it probably would not save any time because, in so far as I am concerned, I would not be asking duplicate questions on succeeding presentations. However, I am ready to agree to whatever the Commission feels should be done, and I would not want to object to the procedure suggested by my friend. It would be a little easier to examine on each one separately.

THE CHAIRMAN: I think we will proceed as Mr. Covert suggests.

MR. H. G. NOLAN: With your permission, I will call Mr. McGreer, who is Secretary of the Calgary Board of Trade. He will present the joint submission on behalf of his Board,The Edmonton Chamber of Commerce, and the cities

of Calgary and Edmonton.

ERIC D. McGREER, Called

EXAMINED by MR. NOLAN:

Q Mr. McGreer, what is your full name, please?

A Eric D. McGreer.

Q And what is your occupation?

A Secretary of the Calgary Board of Trade.

Q How long have you held that office?

A Ten years.

Q And how many members are there in the Calgary Board of Trade?

A Approximately 900.

Q And approximately how many are there in the Edmonton Chamber of Commerce?

A I believe 1,100.

Q In the unavoidable abennce of the President of the Calgary Board of Trade I understand that you are going to present for the consideration of the Royal Commission the joint submission on behalf of those four groups?

A That is correct.

Q Will you be good enough to read it?

A INTRODUCTION

For many years, the people of Alberta have been complaining through the Government of the Province, and athrough local chambers of commerce, and boards of trade, that present transportation arrangements in Canada were to their disadvantage. They particularly complained about the alleged irregularities, inequalities and unjust discriminations existing in the Canadian freight rate

structure.

In the General Freight Rate Investigation, which commenced in 1925, some of these complaints were investigated by the Board of Railway Commissioners for Canada and in a few instances, alterations were made in the existing freight rate structure.

In its submission to the Royal Commission on Dominion-Provincial relations in 1938, the Edmonton Chamber of Commerce drew the attention of the Commission to the severe handicaps imposed on the people of this province by reason of the high transport rates which they were assessed. In that submission, the Edmonton Chamber of Commerce also indicated that they recognized that the freight rate structure, primarily responsible for these severe handicaps, was not a matter included in the terms of reference of the Commission. They were of the opinion, however, that the relationship between transportation and other national policies was an intimate one and that the disabilities imposed upon Alberta by Canada's freight rate structure entitled this province to compensatory adjustments in other directions. They also suggested in their submission that a Royal Commission be appointed to deal specifically with the matter of transportation.

At the hearings in Alberta in 1947 on the application of the Railway Association of Canada for a general increase of 30 per cent in freight rates, the Edmonton Chamber of Commerce advocated that the entire freight rate structure of Canada should be reviewed for the purpose of equalizing rates and eliminating unreasonable and unjust discrimination, and with the object of

spreading fairly the burden of transportation costs over the entire population.

It was pointed out that the Canadian Railways were national undertakings and that their location was designated by national, imperial and strategical considerations and, that while the railways in tying together the remote sections of the country, were essential to the development of Canada as a nation, nevertheless the continued development of these more remote sections of Canada was not only essential to the whole country but to the railways themselves.

The Chamber at that time asked again for a complete review of the freight rate structure as it affects all regions of Canada. This should be done, they said, with the object of establishing a freight rate structure that would not only be fair and equitable as between regions, but would tend to foster the greatest development of the resources of Canada.

It was urged further that, as in all probability the jurisdiction of the Board of Transport Commissioners was too limited to enable it to embark on an investigation of this magnitude, a Royal Commission be appointed. With this in view, a copy of the submission of the Edmonton Chamber of Commerce was forwarded to the Honourable the Minister of Transport.

Since 1947 the Edmonton Chamber of Commerce and the Calgary Board of Trade have persisted in their efforts to have a Royal Commission appointed. When the decision of the Board of Transport Commissioners, in the matter of the general 30 per cent increase was handed down and the

Government of Canada announced that a general enquiry with respect to Canada's freight rate structure was to be undertaken by the Board (under Order-in-Council P.C. 1487), the Edmonton Chamber of Commerce immediately communicated with the Federal Cabinet stating that:

"It is the opinion of this Chamber that such an enquiry should be conducted by an independent tribunal, in the nature of a Royal Commission, and this Chamber has so advocated for the past year and a half. In so advocating, the Chamber does not desire to express lack of confidence in the Board of Transport Commissioners, but desires to point out that what may in some respects be an appeal from the findings of a quasi judicial body, should not be referred to the said body. Furthermore, the Chamber feels the enquiry should be conducted by well-qualified men, versed in the field of commerce and economics, who would be unhampered in any way by the statutory restrictions by which the Board of Transport Commissioners has heretofore been hedged about.

The Chamber has been advocating and still advocates the appointment of a Commission of the prestige and influence of the Rowell-Sirois Commission, because the Chamber feels the question of freight rates is a single most important matter facing the Canadian economy at the present time.

This is a matter of vital national importance and in the public interests, it is essential that the findings of the Commission would be based on

the detached study of Canada's needs and the adoption of transport problems to national growth."

As recently as the hearings on the application of the Province of British Columbia for the removal of the Mountain Differential in 1948, it was contended before the Board of Transport Commissioners that discrimination in the freight rate structure should not be dealt with piecemeal, and that the determination of the application should be postponed until the entire freight rate structure and its irregularities, inequalities and discriminations had been investigated and reported upon, either by the Board of Transport Commissioners or by a Royal Commission appointed to investigate and report upon matters pertaining to transportation. We would like to emphasize that this position was taken not because we were of the opinion that our membership generally would gain from delay in hearing this application, but rather because as a matter of principle, we felt that the constant patchwork which had characterized our freight rate revisions was detrimental to the best interest of Canada as a whole.

It is a matter of great satisfaction to the bodies concerned in this joint submission that in December, 1948, the Government of Canada saw fit to appoint a Royal Commission on Transportation, the terms of reference of which include the power to enquire into and report upon transportation difficulties and anomalies which are said to be found in existing tariffs and rates and which, by reason of economic, geographic and other disadvantages, are said to adversely affect certain sections of Canada.

We welcome this opportunity of presenting a submission to that Commission and express the hope that our representations at these regional sittings and later at sittings in Ottawa, together with those of the several manufacturers and distributors who will appear to make statements concerning their own particular businesses, will be of assistance to the Commission in reaching a conclusion on some of the matters coming before it for investigation and consideration.

TRANSPORTATION AND THE ECONOMY OF ALBERTA

Alberta is fundamentally a raw material producer. The implications of this to the economic structure of the Province are highly significant. These raw materials must seek distant markets where, in competition with areas producing the same product, sometimes under much more favourable conditions, they are price competitive. The total cost of production and transfer in connection with these products is therefore a direct charge upon the producer thereof. If these charges are high, the returns to the producer will be low and consequently the standards of living and indeed, the profitability of all enterprises in the area, will be adversely affected.

On the other hand, if as is the case in Alberta, the vast bulk of the consumer and producer necessities must be imported, the cost of that importation will be borne directly by the user. It has frequently been stated that the Alberta resident pays the freight bill both ways. This is obvious in view of the nature of this area's production pattern. This is a fundamental fact of Alberta's economy and it can be seen that the relative

importance of transportation will be great.

For the purpose of illustrating the manner in which freight rates affect the Alberta consumer, we have calculated a total freight bill for a typical family.

The procedure used is as follows: the basic statistics are those used by the Dominion Government in calculating their cost of living index. We have taken each item used in compiling the cost of living index and have determined its source for the Alberta consumer. We have then calculated the freight charge relative to each item in terms of its weighted annual replacement or consumption. The results of this procudure appear in tables 1 A and B.

You will notice that the maximum freight charge is $70.41 a year while the minimum freight charge is $57.21 per year. If this minimum is related to the average income of the sample family, the percentage cost of what can be termed final freight payments, is 2.86 per cent.

We would like to draw the attention of the Commission to the sources of our consumer supplies. You will note that for the most part, eastern Canada is the area from which we get these requirements. The totals and percentages which we have calculated therefore, in an important sense, represent the increased cost to the Alberta consumer resulting from his geographical location. That is, in almost every case, the figures which we have derived are indicative of the additional cost of these items to the Alberta consumer.

It may be suggested that a charge of $57.21,

representing 2.86 percent of the total income is insignificant. We would submit that on the contrary, it is highly significant, more particularly when it represents for the Province as a whole, a total of approximately $11,442,000.00.

In addition to the fundamental handicap of geography, the Alberta resident finds a national tariff policy which was designed to compel him to purchase the greater bulk of his required manufactured goods in Eastern Canada. The effect of this tariff policy was therefore to emphasize the geographical disadvantage which he suffered.

In addition to the tariff policy, we find that the non competitive nature of the transportation agencies serving Alberta and the peculiar reverence in which the principle of charging what the traffic will bear, is held, adds further to an already heavy burden.

We submit that a complete and comprehensive examination of the nature and incidence of the Railway freight rate structure of Canada must be undertaken with these facts in mind. Such a review, we submit, cannot be successfully undertaken if the freight rate structure of Canada is viewed out of context. It is idle to suggest that freight rates are one thing, geographical advantages are another and national policy is a third and that each must be considered on its merit. These major items cannot be examined in isolation. Unless they are examined together, the organic nature of confederation is denied and the benefits which should naturally flow to the constituent members are appreciably lessened.

THE CANADIAN FREIGHT RATE STRUCTURE

It is the submission of the Edmonton Chamber of Commerce,

the Calgary Board of Trade, the City of Edmonton and the City of Calgary, that the freight rate structure as presently constituted creates regional discriminations and inequalities which bear particularly heavily upon Alberta. In order to inform the Commission of the specific nature of these discriminations and inequalities we point out the following:

1. That Standard Scales, Certain Commodity Scales, and Distributing Class Rate Scales in Western Canada are higher than those in Eastern Canada:

The bases of the freight rate structure are the Standard Mileage Class Rates. From these bases the various distributing class and commodity rates, under which the majority of traffic moves, are derived. In Canada there are four major Standard Mileage Class Rate Scales, viz:

1. The Ontario-Quebec (Central) Scale applicable between points Sault Ste.Marie,Ont.,Windsor, Ont., and East thereof.
2. The Ontario Superior Scale applicable between Sault Ste.Marie and Sudbury west to the Lakehead.
3. The Prairie Scale applicable from Port Arthur, Fort William, and Armstrong, Ont., to Crowsnest, B.C., Canmore, Alta. and Edson,Alta., and also on shipments between points in Prairie territory and points in Ontario Superior territory.
4. The Pacific Scale applicable between stations west of Crowsnest, B.C., Canmore, Alta., and Edson, Alta., and also on shipments moving between points in Pacific territory and points in Prairie territory.

As a result of the decision of the Board of Transport Commissioners of April 23, 1949, in the Mountain differential

case, the Pacific Scale will be abolished on July 1, and class rates in Pacific territory will be based on the Prairie Scale.

A comparison of Standard Class Rates in Ontario-Quebec and Prairie territories is given in Table 2. Owing to the different methods used in the original construction of these rates, there is no constant relationship between these two scales. The differences are greatest for the higher classes, as illustrated by the differences for first class in the Table. For the important fifth class the differences are still in favour of the Ontario-Quebec territory except for the very short mileages. For tenth class the advantage is held by the Prairie Scale, which increases with the mileage.

Certain comments might be made on this comparison of Standard Class Rates. In the first place these rates are applied only in the absence of lower class or commodity rates. The greater coverage which these lower rates have in Eastern Canada means that in that area the Standard Rates are seldom applied. In Western Canada the distributing class rates and commodity rates do not blanket the territory with the same completeness so that the Standard Class Rates are still effective rates. Notably is this so on traffic moved from the international bounday into Western Canada, where they are the only available rates.

In the second place, for the classes lower than sixth class, where the Prairie Rates are frequently lower than the corresponding Ontario-Quebec Standard Class Rates, the important point is that the commodities so classified are almost without exception bulk commodities, which

move almost invariably on special commodity rates which are lower than the class rates in both Eastern and Western Canada. Livestock, coal, fertilizer, grain, cement, are cases in point. For these commodities the relevant comparisons are the respective commodity mileage scales.

Standard class rates are thus more widely used in Western Canada and, for those classes and length of hauls for which they are used, it would be correct to say that they are higher than the Standard Class Rates in Ontario-Quebec territory.

In Table 3, a comparison is made between the Distributing rates in effect in Prairie territory and the Ontario-Quebec schedule "A" or Town Tariff Rates. The Town Tariff Rates find a much more general application in Eastern Canada since the number of Town Tariff Points in the relatively compact area between Windsor and Sault Ste.Marie on the West and Quebec City on the East is over forty, which is more than the number of recognized distributing points in the whole territory between Lake Superior and the Pacific Coast. In addition, the Town Tariff Rates apply in both directions whule the Western Distributing Rates apply outbound from the distributing point, excepting for distances up to 400 miles for first to fourth class traffic only, where they apply in both directions as truck competitive rates.

Table 4 gives an example of the relationships between Standard and Distributing (Town tariff) rates in Prairie and Ontario-Quebec Territory respectively. It has already been noted that the Standard Rates are higher in Prairie Territory than in Ontario-Quebec Territory. Table 3 shows the reductions made in Standard Fifth Class Rates for certain mileages to arrive at Distributing Class Rates. Fifth Class was chosen for illustration because of its importance in traffic movements and also because it does not show the extreme

differences of the first and second classes. The comparison is thus not the most favourable to Prairie Territory which could have been selected.

The reductions in Prairie territory are all approximately fifteen percent below Standard Rates. Eastern Town tariffs were formed on a different basis and, as the Table indicates, represent reductions of much greater percentage amount.

Standard class rates have a much greater importance in the rate structure than their actual use would indicate. They have been used in making distributing Class Rates in Western Canada. Commodity rates may also be based directly on standard Class Rates or indirectly by being based on Distributing Class Rates. Thus the actual level of many commodity rates in Western Canada, at the present time is the consequence of the level of the Standard Class Rates.

A problem similar to this confronted the Interstate Commerce Commission in the United States. We feel that there is a similarity between the facts in this American case, "The State of New York vs. the United States of America", and the situation as it exists in this Province, and we desire to bring that decision to the attention of the Commission.

The matter came before the Supreme Court of the United States on an appeal from the District Court of the United States for the Northern District of New York, an appeal from orders of the Interstate Commerce Commission.

It appears that in 1939 the Interstate Commerce Commission on its own motion instituted investigations to inquire into the lawfulness or otherwise of most of the then existing rate-making standards for interstate railroad

class freight rates in the United States.

While there were three major classification territories, there were five major rate territories, namely:

Official Territory, roughly speaking, lying East of the Mississippi and North of the Ohio and Potomac Rivers;

Southern Territory, lying south of the official territory and East of the Mississippi;

Western Trunk Line Territory located approximately between official Territory and the Rocky Mountains;

Southwestern Territory lying south of Western Trunk Line Territory and West of the Mississippi;

Mountain Pacific Territory including Montana and New Mexico and all territory West of the Rockies;

The last mentioned Mountain Pacific Territory was not involved in the case before the Supreme Court.

(Page 1455 follows)

The Interstate Commerce Commission ordered that existing inter-state class rates applicable to freight traffic moving at the classification ratings within Southern, Southwestern and Western Trunk-Line territories, interterritorially between those territories and interterritorially between each of these territories and official territory, be reduced 10 per cent, subject to certain unimportant qualifications, and it also ordered that interstate class rates for freight traffic moving at classification ratings within Official Territory be increased 10 per cent subject to certain irrelevant qualifications.

The decision of the majority opinion delivered by Mr. Justice Douglas on the 12th of May, 1947, discloses that the complaints of Southern, Southwestern and Western Trunk-Line Territories, with respect to discrimination, are to some extent similar to the complaints made by this Province and local Chambers of Commerce and Boards of Trade that Alberta is unjustly being discriminated against in the matter of freight rates.

The majority opinion of the Supreme Court of the United States upheld the decision of the Interstate Commerce Commission. At page 20 of the decision, Mr. Justice Douglas said:

"As we stated in Georgia v. Pennsylvania R.R.Co. 324 U.S. 430, 450, 'Discriminatory rates are but one form of trade barriers.' Their effect is not only to impede established industries but to prevent the establishment of new ones, to arrest the development of a State or region, to make it

difficult for an agricultural economy to evolve into an industrial one. Non-discriminatory class rates remove that barrier by offering that equality which the law was designed to afford. They insure prospective shippers not only that the rates are just and reasonable per se but that they are properly related to those of their competitors. Shippers are not then dependent ontheir ability to get exception rates or commodity rates after their industries are established and their shipments are ready to move. They have a basis for planning ahead by relying on a coherent rate structure reflecting competitive factors."

At page 27 he said:

"It is sufficient at this point to say that the record makes out a strong case for the inference that natural disadvantages alone are not responsible for the retarded development of the South and the West, that the discriminatory rate structure has also played a part. How much a part cannot be determined for every effect is the result of many factors. If this discriminatory rate structure is not justified by territorial conditions, then its continued maintenance preserves not the natural advantages of one region but man-made trade barriers which have been imposed upon the country."

II. <u>That Mixing Privileges Differ between East and West.</u>

The Canadian Freight Classification No. 19, Rule 10, Section 1 and paragraph (a) of Section 2, provides

as follows:

Section 1. Applicable Between Points East of Port Arthur and Armstrong, Ont.

Unless otherwise provided, when a number of different articles, for which carload ratings are provided, are shipped at one time by one consignor to one consignee, and destination, in a carload (see Rule 9) they will be charged at the carload rate applicable to the highest classed or rated article, and the carload minimum weight will be the highest provided for any of the articles in the carload. (Subject also to Paragraphs B and C of section 2).

Section 2. Applicable between points West of and including Port Arthur and Armstrong, Ont. and from Points east thereof to Port Arthur and Armstrong, Ont., and points West thereof and vice versa.

Paragraph (a). Unless otherwise provided, articles under different DISTINCTIVE HEADINGS or articles that are not classified under DISTINCTIVE HEADINGS will not be taken in mixed carloads at carload rates. When a number of different articles under one DISTINCTIVE HEADING, for which carload ratings are provided, are shipped at one time by one consignor to one consignee and destination in a carload (see Rule 9) they will be charged at the rate applicable to the article taking the highest carload rate and the carload minimum weight will be the highest provided for any of the articles in the carload.

It will be observed from the foregoing that within Eastern Canada, there is virtually no restriction on the mixing privileges that may be exercised by a shipper. Hardware, groceries, drygoods and machinery may, for example, be carried in the same car at carload rates provided that the minimum carload weight is met. On

THE CHAIRMAN: Q. Yes?

A. Then the sentence will read "As a result....."

Q. You add in those words?

A. I add in those words: "As a result . the mileage between the Lakehead and Winnipeg was 290 miles and this basis was used for constructing the rates to Manitoba points only. The actual mileage beyond Winnipeg being added to the 290 constructive miles to arrive at the through mileage. As a result of various complaints, notably that of the Regina Board of Trade, this principle of rate construction was extended as of 1st September, 1914, to Saskatchewan and Alberta by the decision of the Board of Railway Commissioners in the Western Rates Case (17 C.R.C. 123). However, under this method of rate making, the benefits are greatest at the point of termination of the constructive mileage, decreasing as the distance westward increases, with the result that Alberta points receive the least benefit of any in Western Canada, with the exception of interior British Columbia points.

The effects of the constructive mileage in the formation of the Terminal Class Rates are illustrated in Table 5, which compares Prairie Standard Mileage class rates and Fort William Terminal Class rates for first and fifth classes. It will be noted that the percentage reuuctions of the Terminal Rates from the Standard Rates, instead of being uniform, actually decrease with increasing distance. On the Prairie Standard Mileage Scale the first class rate from Fort William to Edmonton would be 108 per cent greater than the Winnipeg rate, but under the

Terminal Rates the Edmonton first class rate is 145 per cent greater than that of Winnipeg.

The same effect can be seen by comparing the spread between Standard and Terminal Rates as also shown in Table 5. Winnipeg receives in effect a reduction of 41 cents below the Standard First Class rate while Calgary and Edmonton, three times as far from Fort William, receive a reduction of only 27 cents. The present Terminal Rates, not being tapered for distance by at least as much as the Prairie Standard Rates, discriminate unfairly against Alberta points. Adherence to universally recognized principles of rate-making would remove this handicap.

lV. That a Transcontinental Competitive Commodity Freight Rate Structure has been established.

In order to meet competition the railways have granted lower rates to Vancouver from Eastern Canada than is applicable on similar movements from Eastern Canada to Alberta destinations. We submit that this constitutes discrimination to the Alberta shipper. It is the intention of the parties to this brief to join with the Government of the province of Alberta in a special submission to be made at a later date on this particular point. For the moment it is proposed to demonstrate to the Commission through the evidence of distributors and manufacturers carrying on business in this province that this method of rate construction constitutes discrimination against the Alberta shipper.

V. That the Freight Rate Structure Mitigates Against Certain Secondary Industry.

It will be shown in the course of these sittings that

the present freight rate structure encourages the transportation of certain commodities out of this province in a raw,rather than a partly or fully finished stage. We submit that this constitues a discrimination against Alberta and has a very important effect upon our economic structure. As an example and to make clear to the Commission the practical effect of the present freight rate structure in regard to this matter, it is our intention to bring evidence before the Commission through the representative of an Edmonton meat packing company. We will join with the Government of the province of Alberta in a brief which further elaborates this point at a later sitting.

VI. That the Method of Establishing Proportional Rates on International Traffic is Inequitable.

Rates on a large proportion of the traffic moving from the United States to Western Canada are based on combinations over the border. The ports of entry of Noyes, Portal, Sweetgrass and Eastport are usually used in these combinations.

An examination of these combination rates indicates that they are constructed by using the American rate (either the commodity or standard rate) to the border, plus the Canadian standard charge from the border to destination. This means that the Canadian consignee is paying the sum of two local rates for what is obviously a through haul.

As an example, take Texas tomatoes being imported at the present time. The rate for the total haul to Calgary is $2.64 per hundred. Of this sum, the American carrier receives $2.07, while the C.P.R. receives 57 cents. This

means that the C.P.R. hauls these tomatoes 6.9 per cent of the distance that the American carrier does and yet receives 27.5 per cent of the revenue.

This method of constructing rates is, we submit, inequitable and should be altered so that there is a constant taper in the rate. The C.P.R. should not receive more than a proportionate share of the rate based on mileage hauled.

VII. That in Some Cases Canadian Charges are out of line with American charges on similar movements.

Alberta in the course of a shipping season uses hundreds of cars of B.C. fruits and vegetables. We submit that the rates which are paid on this movement are out of line and draw the attention of the Commission to the difference which exists between these rates and similar American rates:

Mr. Chairman, with your permission, I shall not read this table.

THE CHAIRMAN: Yes.

Rates from Kelowna: To:	Frest Fruit Minimum 24,000	Apples Min. 35,000	Early Vegetables Min. 30,000
Edmonton	154	129	68
Lethbridge	152	104	61
Calgary	126	86	51
		(Per C.P.W.22-a)	
Rates from Wenatchee and Yakima: To:			
Shelby,	79	72	79
Helena	82	75	82
		(Per N.E.C.F.B. 57-F).	

These comparisons indicate that for distances which are approximately equal, the American rates are about 50 per cent of the Canadian charges.

OTHER MATTERS RELEVANT TO TRANSPORTATION

1. Reparations on International Traffic.

In some businesses, wholesale fruit for example, a large proportion of the traffic originates in the United States.

This traffic moves under the uniform bill of lading adopted by American carriers. This is a contract of carriage entered into by shippers and carriers, and Canadian carriers participating in the traffic are parties thereto. No new bill of lading is issued at the Canadian border to cover the Canadian portion of the haul.

This particular traffic is interstate in character and is, therefore, under the jurisdiction of the Interstate Commerce Commission and governed by terms of the Interstate Commerce Act. Under the Interstate Commerce Act, as under the Railway Act of Canada, the through published rate is the legal rate.

Section 16 of the Interstate Commerce Act, on complaint, gives the Interstate Commerce Commission power to award damages for violation of terms of the Act, including unreasonable charges. This is known as reparation. In other words, if charges assessed and paid are proven unreasonable, for the past or future, damages are ordered paid, subject to the Statute of Limitations. Such claims may be either on Informal or Formal docket and may be initiated by either shippers or carriers.

When cases of unreasonable rates arise, on international shipments, there is a conflict between the two jurisdictions - the Interstate Commerce Commission and the Board of Transport Commissioners. One has power to award damages; the other has not, as there is no provision in the Railway Act of Canada for such procedure.

THE CHAIRMAN: Q. Who awards damages?

A. I believe it is the Interstate Commerce Commission.

MR. NOLAN: That is so, Mr. Chairman.

THE WITNESS:

It is submitted that the Railway Act of Canada should be revised to deal with this situation.

On international traffic a further problem arises out of reparations and divided jurisdiction. Some E American and Canadian interchange traffic moves at through rates which are constructed by summing the intermediate rates applicable. When one of these intermediate factors is altered the through rate must be changed. When this happens the American shipper has recourse to reparation proceedings. We in Canada are denied this and must suffer the further cost of waiting until the rate is altered to equalize the combination of intermediate rates. The wording of a fruit and vegetable tariff which moves traffic from Washington to Alberta illustrates the point:*

"Carriers have endeavored to publish herein rates which do not exceed the aggregate of the intermediate rates between points between which there is an actual movement of traffic, but if there should be in this tariff any rate which is in excess of the aggregate of intermediates, or if through subsequent change in an intermediate factor any rate in this tariff becomes higher than the aggregate of intermediates in

violation of the provisions of the fourth section of the act, carriers will reduce such rate to the aggregate of the intermediate rates on one day's notice under authority of Rule 56 of Interstate Commerce Commission tariff circular 20, on any commodity between points between which there is a movement or a prospective movement of that commodity. The publication of such reduced rate will be made within thirty days after such unlawful rate comes to carriers' notice.

Carriers, parties to this tariff, whose rate over the route of movement is higher than the aggregate of the intermediates over the route, further agree that on any shipment on which the higher rate named in this tariff for that route has been charged, application will be made promptly to the Interstate Commerce Commission for authority to award reparation on the basis of the aggregate of intermediates in effect on date of shipment. (See note)

NOTE: Carriers or shippers who discover combinations which result in lower charges than the rates named herein should promptly report such cases to the publishing agent of this tariff, showing the through rate and the item or page where it is found, together with the separate factors which make up the combination, giving tariff reference by item or page, where possible, for each.

* Bohon's Tariff 57-F, I.C.C. 742, C.T.C. 300, Item 55.

However, this item is prefixed with Reference (74) which reads:

"Will not apply in connection with joint through rates from or to points in Canada."

As pointed out before, traffic from the U.S.A. moves on the uniform bill of lading adopted by American carriers. This is the contract of carriage entered into by shipper and originating carrier on behalf of participating carriers and including Canadian carriers.

To arrive at a basis for settlement of claims or to assess the amount of damage, the value of the shipment must be determined. Section 1 of Terms and Conditions of the uniform bill of lading states the carrier is liable as at common law, under which American courts have ruled that the value at destination is the proper basis. This is determined by account sales and individual circumstances. The procedure is governed by Rules and Practices subscribed to by American and Canadian carriers.

II. <u>The Control of Trucking Companies by Canadian Railways</u>

During the past several years certaid Canadian Railways have purchased trucking companies which operate in Alberta. It may be stated that these trucking companies operate in direct competition with the railways. We view this development with alarm. In Alberta where we are denied the benefit of water competition, the competition afforded by independent trucking companies is of prime importance from both a rate and a service standpoint. If these competing agencies are to be controlled by the railways, there is a possibility that the Alberta shipper will suffer.

THE CHAIRMAN: Q. Do you mean the two main railways, the C.P.R. and the C.N.R? Is that right, Mr. Nolan?

MR. NOLAN: I am informed that the Canadian Pacific acquired a large trucking company, but I am not certain if the Canadian National has ever followed suit; no; only the Canadian Pacific.

THE CHAIRMAN: Only the Canadian Pacific.

THE WITNESS: In our submission any development which might have this effect should be carefully controlled. The railways should not be permitted to own trucking services unless those services are distinctly complementary. We recommend that this Commission consider the advisability of making a recommendation which would prohibit general truck carrier operations by the railways.

Pages 1468 to 1480 inclusive will appear as an appendix in a subsequent issue

THE CHAIRMAN: I understand that Mr. McGreer may be examined later. Very well, Mr. Nolan.

MR. NOLAN: That being so, I now call Mr. Lewis of the Louis Petrie Company of Calgary.

HAROLD VICTOR LEWIS, called.

NR. NOLAN: Q. Mr. Lewis, what is your full name?

A. Harold Victor.

THE CHAIRMAN: Q. What is your surname?

A. Lewis, Mr. Chairman.

MR. NOLAN: Q. What is your position with Louis Petrie Limited?

A. I am a director of the company, but my particular duties, at the present time, consist in calculating the costs of the incoming merchandise. That is the particular job that I am responsible for.

Q. How long have you been with this company?

A. Ever since I started in business, about 37 years ago.

Q. What is their business? Will you tell us in a word, please?

A. Our business is wholesale groceries, and we act as a subsidiary, and supply merchandise to Jenkins Groceteria, which operates some 40 odd large concerns in the province.

Q. Do you operate solely in Alberta, or within and without?

A. A very small part of our business is over the border in the Windermere country of British Columbia.

Q. You have prepared for the consideration of this Commission a short statement or brief?

A. Yes, sir.

Q. Would you be good enough to read it, please?

(Page 1490 follows)

THE WITNESS: Gentlemen I have the honour to present a brief which has been prepared on behalf of the wholesale grocers doing business in the City of Calgary. We appreciate this opportunity to come before you.

No portion of Canada is more dependent on railways than Alberta by reason of its geographical location and the consequent lack of any alternative transportation. Climatic conditions greatly restrict the variety of food products which can be produced in this province, so that we of the grocery trade have to depend on the railways to transport a very large part of our merchandise, much of it for long distances.

We agree that it is in our interest that the railways should have sufficient revenue to maintain efficiency and give service. In this competitive world the tendency has been to cut rates when necessary and to charge where possible. Failing competition, we in Alberta have most often been charged and we feel some of these inequalities should be removed.

While I understand that your Commission is not primarily interested in rates, it is necessary to quote a few to illustrate some of these inequalities and discriminations which we think should be adjusted in the proposed overhaul of the rate structure.

The following are the lowest rates available on canned goods and similar commodities when shipped in carload lots: --

MR. NOLAN: Mr. Lewis, I think there is no need for you to read the fitures, as it would perhaps

take a long time.

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	Mileage	Rates	Minimum Car-load Weight	Rate per Ton-Mile
Vancouver to Calgary	641	1.19	24,000	3.71
Vancouver to Winnipeg	1473	1.53	60,000	2.08
Vernon to Calgary	353	.87	24,000	4.93
Vernon to Vancouver	380	.54	60,000	2.84
Toronto to Calgary	2062	2.40	24,000	2.33
Toronto to Vancouver	2703	1.33	60,000	.98
Florida to Sweetgrass, Mont.	2400(approx)	1.57½		1.32 (approx)
Sweetgrass to Calgary	192	.36	24,000	3.75

C.P.R. average revenue per ton-mile in 1948, 1.13 cents.

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MR. NOLAN: Q. Perhaps you could just explain in a short sentence what the point is you are endeavouring to make by this comparative table?

A. Well, the point that I am endeavouring to make in this short table is that the rates refer to distance, and produce a rate per ton-mile which is very much higher on traffic moving from east, west, north, south or any other place into Alberta than similar traffic moving to other centres.

Q. Then I think we will just pick up the narrative; it will emphasize your point.

A. And also that these rates are, all of them, substantially higher than the average revenue as shown by the C.P.R's traffic statistics.

It will be noted that the minimum is higher to

most other points than to Alberta but we in Alberta have to pay the same rate regardless of the weight loaded. There are no reductions for heavy loaded cars available on any of our commodities to Calgary or other Alberta points.

Some of these rates will be altered by the elimination of the Mountain Differential on July 1st. We do not know what this change will amount to, but do not expect that the relative picture will be materially altered.

It is said that one catches more flies with sugar than vinegar. During the existence of the Wartime loading regulations, now happily cancelled, an effort was made to compel capacity loading of cars. We calculate that these rules cost our firm alone, on the average $100 per month in extra handling and cartage charges. Whatever saving there may have been in transportation costs went entirely to the Railroads while we footed the extra costs, or when possible, passed them on to our customers. That a part of the saving should be shared with customers appears to be recognized by the Railways who in many cases publish substantially lower trates on heavy loads. As mentioned none of these are available to us. We suggest that in every case where no lower rate is published, a load of say 60,000 lbs. should automatically carry a discount of 10% from the published rate on a carload of lower minimum. I am confident that such a rule would substantially increase the average load, as it would cover the extra costs of various sorts involved.

Minimums. The Canadian Classification provides a minimum weight for carload rate on most of the lines we handle of 24,000 pounds. I can remember when there were

still a few cars of this capacity. The cars which the Railroads are now building are mostly of 120,000 pounds capacity and much greater size and tare weight. A minimum load in one of these cars is almost overlooked. I can quite understand the anxiety of the Railroads to increase the minimum load. At the same time we submit that it was not for our convenience that these large and expensive cars were designed and it is grossly unfair to ask us to load them to capacity. Moreover since nearly all of our goods are now packed in paper cartons, much of it does not carry satisfactorily when loaded too heavily. We strongly oppose any increase in minimums greater than 50% and if an increase is granted think it should be made in several steps to reduce the inconvenience.

Mixing. -- I do not agree with Mr. McGreer here. The classification contains rules for mixing commodities to obtain carload weight and rate which differ in Eastern and Western Canada. It has been suggested that the Eastern rules which are more generous should apply throughout the whole of Canada. Our opinion is that the present Western rules are generally satisfactory and do not cause any particular hardship. Theywere devised and have operated to build up a large number of jobbing centres in Western Canada where retailers can obtain their requirements conveniently, quickly and in small quantities. Should Eastern rules be adopted there would probably be a tendency for some large retailers to .secure their requirements at a distance, perhaps from outside the Province, making up carloads of groceries, hardware, dry goods and others. Without their larger customers, jobbers in the smaller

points would not be able to give the same service to the much larger number of small dealers who could not possibly buy in carloads.

Just about our sorest point is the advantage enjoyed by Vancouver in the transcontinental rate. Rates from Eastern Canada to Alberta have as their maximum the rate to Vancouver plus the back-haul and some of them are very close or even in certain circumstances have to be reduced. We feel that it is grossly unfair that we should have to pay the cost of a double haul across the mountains on our purchases in the East. South of the border the situation is different and our purchases in Eastern states move at a transcontinental rate plus local from the border as shown above. We think the rates should be altered to no more than the rate from comparable U.S. points.

Trucks. Truck competition is a sore point with the Railroads, to some extent they have gone into the trucking business themselves. For the most part the trucks charge the same as the Railroad rate, their advantage being in faster delivery and less handling, consequently the goods usually arrive in better condition. They are also subject to negotiation on desirable business. Any attempt to regulate trucks to the advantage of the Railroads is doomed to failure. There are too many of them and they are here to stay. Every year they dig deeper into railway business with longer hauls and better service, a service which the rails cannot excel. They are not bothered with a big book of rules full of "Can't Do's". In any case it is impossible to prevent anyone from buying a truck and doing his own hauling.

We have every sympathy with the Railroads. They have done and are doing a grand job on the whole with little thanks, and of late less profit. It is our opinion that the Railroads are entitled to a return on their investment and should be permitted rates which with reasonably good management will produce it. We cannot see how the maintenance of rates at an artifically low level can be justified, if at the expense of the railways it must inevitably result in poor service. If by way of government subsidy,it is not really a subsidy to the Railways but to certain specially favoured users who are thus enabled to obtain service at less than cost. We think that all rates should reasonably represent the cost of the service performed. There has been about enough of subsidies in this country. We feel that the Railroads should be allowed to run their business the same as others with the minimum of interference from Government or anyone else.

It may be that the Capital structure of the C.N.R. should be overhauled and the Company relieved of all or some part of certain lines constructed or operated for strategic or political reasons. Other roads may have similar claims for all we know. After that was done I think they should be left to work out their own salvation under normal competitive conditions.

All of which is respectfully submitted.

MR. NOLAN: Thank you, Mr. Lewis.

Mr. Chairman, I will now ask the representative of the Alberta Co-operative Union, Mr. Bowlen, to come forward.

BERNARD JOSEPH BOWLEN, called

EXAMINED BY MR. ~~NOWLEN~~ Nolan

Q. What is your full name?

A. Bernard Joseph Bowlen.

Q. You reside in the city of Edmonton?

A. In the city of Edmonton.

Q. You are an officer of the Alberta Co-operative Union?

A. Secretary.

Q. And the President is Mr. J. Russell Love?

A. Yes.

Q. He is unavoidably absent?

A. He is unavoidably absent through illness, yes.

Q. What is the Alberta Co-operative Union, Mr.Bowlen?

A. It is a union of co-operative organizations in the Province of Alberta.

Q. And you say in your brief you have a membership of 61 associations?

A. 61 associations, yes, sir.

Q. With a membership of some 50,000 individual members?

A. That is approximate, yes.

Q. You have prepared a brief for the consideration of the Commission?

A. Yes, I have, sir.

Q. Would you be good enough to read that brief, Mr. Bowlen?

A. Mr. Chairman and members of the Commission:

The Alberta Co-operative Union comprises a membership of 61 co-operative associations, engaged in the

distribution of consumer goods and farm supplies to some 50,000 individual members. The annual volume of business done by the members of the Alberta Co-operative Union, exceeds eight million dollars.

The larger producer co-operative associations in Alberta, will be presenting their own briefs to the Royal Commission onTransportation.

The Alberta Co-operative Union does welcome this opportunity to appear before your Commission. Aside from certain general transportation problems which confront our membership, there are several particular items with respect to consumer goods and farm supplies which we wish to draw to your attention.

1. DISTRIBUTING RATE SCALES

The members of the Alberta Co-operative Union conduct an extensive distribution business throughout Alberta. In the course of these operations we have found that the present distributing scale of rates mitigates against efficient distribution to our member Organizations. We would recommend that the distributing scale be used as the standard class tariff regardless of points of origin or direction of traffic. Failing that, the least modification in the present system that would be acceptable is a substantial increase in the number of distributing points.

The problems which the present distributing scale raises may be illustrated with reference to our own operations. St. Paul, Alberta, from which approximately 300 tons of flour are sent by us each year to the surrounding area, does not enjoy a distributing rate

scale at present. If it did the gross saving on this commodity alone, would be some $200.00 per year. It does not appear logical to us to designate specific points as distribution centres when there are equally sound reasons for giving the benefits of a distributing scale to other localities. Consider the problem of distribution in the Peace River country. We find that Grande Prairie is given a special rate while many other logical distribution centres in the North country are not given any such consideration. The net effect of giving distribution privileges to relatively few points is to create unjust discrimination and, as a result, increase the cost of transportation to our membership. It might have been logical to designate certain cities and towns as distributing points when the West was being settled, but under present day circumstances, with greatly increased population and business activity, it becomes a definite handicap. We submit that today's conditions do not justify this situation.

2. MIXING PRIVILEGES

Rule 10(2) of the Canadian Freight Classification restricts the mixing privileges which may be exercised by Alberta shippers. The membership of the Alberta Co-operative Union suffers as a result of this restriction. We feel that the time has long passed when its removal should be ordered. In Eastern Canada there is what we may term an unrestricted mixing privilege. This simply means that, provided a shipper is able to meet the carload minimum, regardless of the variety of commodities which are included, he is granted a carload

rate. In Western Canada only those items which are included under a DISTINCTIVE HEADING may be mixed in one car and sent at the carload rate. For example, if we wish to ship bagged feeds and mineral supplement from our Edmonton plant to Grande Prairie, we find that one part of the shipment is classified as "feed" and the other part by virtue of its mineral content, is classified as "mineral." This happens in spite of the fact that they are really both to be used as livestock feed. The carload rate would not apply to this mixed shipment and consequently we are saddled with two less than carload lots. The Alberta Co-operative Union submits that this condition works an unjust hardship on the user of processed feeds.

We could cite many other examples of increased cost which result from the present mixing restriction. We suggest here again that the restricted mixing privilege applicable in Western Canada only, is a direct result of the pioneer aspect of our early economy and has no place whatever in the light of our present position.

3. TRANSCONTINENTAL COMPETITIVE COMMODITY RATES

As wholesalers, interested in the distribution of food products canned in Eastern Canada, we wish to draw your attention to the problems created by the so-called Panama Canal competitive rates to Vancouver. Suppose we wished to order a carload of canned tomatoes from Aylmer, Ontario. We would be assessed a charge of $2.40 per cwt. or a total charge of $1,440.00. A Vancouver wholesaler could get a similar shipment at a cost of $1.37 per cwt. or at a total charge of $822.00.

In other words, a Vancouver wholesaler pays approximately half the freight charge that we do and yet receives service for an additional 750 miles. This is only one part of the problem however. With these low Coast rates in existence, a Vancouver wholesalercould actually distribute that carload of tomatoes all the way back into the Western part of Alberta. You can appreciate that absolutely and relatively, therefore, we are placed in a most disadvantageous position.

The Alberta Co-operative Union submits that if the Railways can make a profit by hauling canned goods to Vancouver for $822.00, then it is obvious that a charge of $1,440.00 for a lesser distance is unjust. Contrarywise, if the Vancouver rate is not profitable to the Railways, the Alberta consumer is providing a direct freight subsidy to the British Columbia resident.

We submit that in no case should the Vancouver rate be less than the rate to an intermediate point.

4. RAILWAY TRUCK CONTROL

It has come to the attention of the Alberta Co-operative Union that in some cases railway companies have purchased an interest in Western Canadian trucking businesses. We submit that unless it may be conclusively proven that these trucking operations are complementary and not competitive with rail operations, that rail carriers should be prohibited from retaining their ownership or control. The Alberta Co-operative Union feels that inasmuch as this area of Canada is so effectively removed from the influence of water competition, that anything which might have the effect of limiting the only alterna-

alternative means of transportation now available, namely, trucks, should not be permitted.

In our opinion, the Commission should consider seriously the consequence of allowing Railway resources to be used to buy out competing forms of transportation in areas where competition has in the past been anything but a serious problem to the Railways. Surely our burden is heavy enough as it stands.

The foregoing is respectfully submitted for the consideration of this Commission by the Alberta Co-operative Union.

Edmonton
June 8, 1949

Respectfully submitted
By
J. R. Love B. J. Bowlen

MR. NOLAN: Thank you, Mr. Bowlen.

I will now ask the representative of the Brock Company (Western) Limited to come forward, please, -- Mr. Harvey.

JOHN HENRY HARVEY, called

EXAMINED BY MR. NOLAN

Q. What is your full name, Mr. Harvey?

A. John Henry.

Q. And what is your position with the Brock Company?

A. A.Director and Assistant Manager.

Q. And what business does the Brock Company (Western) Limited engage in?

A. Wholesale distributors of drygoods.

Q. And what is your area of distribution?

A. Alberta and the Crows Nest part of B.C., and just over the border of Saskatchewan.

Q. How long has your company been established in Calgary?

A. About forty years.

Q. Has it branches?

A. We have a branch in Edmonton.

Q. Now, you have prepared a brief for the consideration of the Commission?

A. That is right, sir.

Q. Would you be good enough to read it, please?

A. Mr. Chairman and gentlemen, on behalf of the Brock Company (Western) Limited, of which I am Assistant Manager and a Director, I welcome this opportunity to appear and speak on Freight Rates as they affect us in Alberta.

Our Company has always believed that there should be the freest possible interchange of commodities between the various regions of Canada. Reduced to essentials this simply means that transportation between any two regions should not be so high as to prohibit or seriously qualify traffic movement.

At the same time we have maintained, and we still maintain, that the Railways and other carriers are entitled to earn a fair return on their investment. We know that no business can operate for any length of time at a loss. The Transportation Companies are no exception.

The following rates are in existence today, showing a comparison between Montreal to Vancouver and Montreal to Calgary:

	Montreal to Vancouver	Montreal to Calgary	Vancouver to Calgary
Linoleum in carload	2.23	2.40	
Cotton Piece Goods in carload	2.44	2.82	
Flannelette Blankets included in Cotton Piece Goods car to Vancouver only	2.44		
Flannellette Blankets		5.48	2.65

From this table it is apparent that Flannelette Blankets, which originate at Montreal, can be laid down in Vancouver at a rate of $2.44 per cwt. because they are carried in a mixed car of Cotton Piece goods. The same Blankets moving from Montreal to Calgary would go at a rate of $5.48 per cwt.

To get the same commodity in our warehouse in Calgary, it costs us exactly $3.04 more per cwt. than it costs the Vancouver wholesaler. When you stop to consider that those same Blankets can be moved from Vancouver back to Calgary at a rate of $2.65 per cwt. you can realize the competitive situation in which we find ourselves on this item.

The Mountain Differential is to be removed in July, and we feel our position will become more difficult. Suppose that the rate from Vancouver to Calgary is reduced by the amount of the differential, flannelette blankets could be back hauled to Calgary at a charge of ($2.29 per cwt. estimated). This would mean that the Vancouver distributor would be able to ship right past our door into Saskatchewan. We do not wish to labour this particular example, our only wish is to show you that it is impossible for us to compete with Vancouver distributors

on this item and others that fall into the same category.

The territory which is most seriously affected is Fernie, Cranbrook, Creston, Nelson & Trail, which is closer to Calgary and better serviced from Calgary than Vancouver. As far as flannelette blankets are concerned, we are literally barred from this market.

It is our submission that in no case should the coast rate be lower than the rate to an intermediate point such as Calgary.

We thank you very much for the opportunity to present the position of our business in this matter.

MR. NOLAN: That, Mr. Chairman, concludes this group of presentations so far as Calgary is concerned. I might add, sir, that it is our intention when your lordship is sitting in Edmonton to call a number of Edmonton business men who will speak as to their first-hand knowledge of transportation problems as they affect their businesses in that part of the province.

THE CHAIRMAN: Mr. Covert.

MR. COVERT: Mr. Chairman, my suggestion is that if there are any particular points Mr. Nolan wants to clarify he might examine first, and then I think we should follow the procedure which we did in Winnipeg, that provincial counsel examine, and then railway counsel.

THE CHAIRMAN: Very well. Mr. Nolan, have you anything to ask?

MR. NOLAN: No, I don't think so, thank you, sir. I am not quite sure what procedure you are going to follow, sir, Do you want them to come back individually?

RND

THE CHAIRMAN: Oh, I think so.

MR. NOLAN: In the order in which they appear?

THE CHAIRMAN: I think that would be preferable.

(Page 1508 follows)

MR. NOLAN: Mr. McGreer, who was my first witness, is Secretary of the Board of Trade of Calgary, and he is not well versed in matters pertaining to the economics of transportation. I am sure there are gentlemen here who can answer any questions if the same should arise. I do not know whether or not my friends want to cross-examine on the joint submission.

MR. EVANS: I do.

MR. NOLAN: You do?

MR. EVANS: I do, yes.

THE CHAIRMAN: Who can best answer such an examination, Mr. McGreer himself or some other person?

MR. NOLAN: I think perhaps someone else, but the difficulty is that the submission is the effort of several persons, and I would prefer to have the particular part prepared by the particular individual put to him on cross-examination because it would be of more assistance to you.

THE CHAIRMAN: Yes, I do not see any objection to that. I think, Mr. Evans, you can consider yourself at liberty to examine any one of these gentlemen, either Mr. McGreer himself if he likes or any of the others whom Mr. Nolan may produce on any aspect of this brief. Is that not the position?

MR. EVANS: Yes. I was going to say that perhaps my friend is unduly frightened to put Mr. McGreer in for cross-examination. If he cannot answer any questions, and someone else is available that can they can answer the questions, and it is perfectly all right.

THE CHAIRMAN: If someone else can answer better

than Mr. McGreer, and Mr. Nolan will have to call somebody else anyhow, why call Mr. McGreer?

MR. EVANS: I do not care whom he calls.

MR. NOLAN: I suggest that I call Mr. McGreer, that the questions be put to him, that I then get the answer, and then Mr. McGreer will convey it to the Commission, if that meets with your approval. It is very difficult in these matters, which touch on transportation in so many of its phases, to have any one gentleman come forward in a joint submission of this kind and really be letter perfect on all of it.

THE CHAIRMAN: Is there any particular part of this brief that you think Mr. McGreer can speak to better than other witnesses?

MR . NOLAN: No, sir.

THE CHAIRMAN: If he comes back it will be for general purposes?

MR. NOLAN: Yes, I am afraid so.

THE CHAIRMAN: Shall we call him back, Mr. Evans and Mr. O'Donnell?

MR. EVANS: I should like to ask somebody some questions, but I do not care whom I question.

THE CHAIRMAN: Let us do it this way. Mr. Nolan, you will call one of your witnesses and we will begin with him. Then we will go on to the next one, and that may or may not result in Mr. McGreer himself cominb back.

MR. SHEPARD: Perhaps provincial counsel will be asking questions first. I should like an opportunity to ask one or two questions on section 3 of the brief which deals with constructive mileage.

THE CHAIRMAN: You wish to ask whom?

MR. SHEPARD: One or two questions on section 3 which start at the bottom of page 10. That may assist my friend, Mr. Nolan, in deciding which man to put in the box first.

THE CHAIRMAN: Pages 2 and 3?

MR. SHEPARD: Section 3 at the bottom of page 10.

MR. NOLAN: With your permission, I will ask Mr. Hu Harries to take the stand.

HU HARRIES, Called

EXAMINED by MR. NOLAN:

Q Mr. Harries, what is your position?

A I am retained by the government of Alberta in connection with transportation matters.

Q Are you a trained transportation economist?

A I have had some training in economics, and I picked up a little knowledge in connection with transportation during the last year or so.

Q During the last year or so?

A Yes.

Q You are a graduate in economics?

A Yes.

Q From what university?

A I graduated from the University of Alberta in agriculture, from the University of Iowa in agricultural economy, and from the University of Toronto in political economy.

Q Those were in the nature of post graduate courses?

A Yes.

Q Would you be good enough to answer my learned

friend, Mr. Shepard, on the questions he is going to put to you about the constructive mileage.

CROSS-EXAMINATION by MR. SHEPARD

Q This matter is dealt with in the brief, Mr. Harries, starting at the bottom of page 10, including all of page 11, and the top five lines on page 12. I assume that you would agree with me that Alberta points do benefit from the constructive mileage as it presently exists?

A Yes.

Q And what would you say as to the level of the rates from the east to Winnipeg? You would not want to see those rates increased?

A I would not mind seeing them reduced.

Q You would not want to see them increased?

A No.

Q I want to read an excerpt - I am sorry I have not got the exact citation, Mr. Chairman; I can give it to the Commission later - from the Henry Study in the Rowell-Sirois Commission report. It reads:

"It is of particular interest to note that the Manitoba agreement, obsolete as it is today, has left its imprint even on the rates between Vancouver and stations east thereof. It actually has been responsible for a lowering of the level of class rates throughout western Canada, and between eastern and western Canada. There have been, and probably will, in future, be complaints because Winnipeg receives the benefit of a shrink in the entire

distance between the lakehead and that city, whereas to and from points west thereof - Edmonton for example - actual mileage west of Winnipeg is added to the constructive distance of 290 miles. It must be remembered, however, that Manitoba paid the price for the original reduction in rates which resulted in the constructive distance which benefits it most."

What would you have to say as to that

A First of all we have no argument against or with the constructive mileage, but we do believe that, regardless of an agreement that may have been carried through with the Manitoba government, there is no justification for discrimination in the present freight rate structure because of that. That is, we do not want to deny Winnipeg the benefits of this agreement which resulted, of course, in the constructive mileage, but we do believe that there is a discrimination present as a result of that agreement, and that that discrimination can be removed without injuring Winnipeg particularly, and Manitoba generally.

Q I suppose you would agree with the statement I have just read to you that the benefit of the constructive mileage extended right through the west? There is no question about that?

A Yes, I think we have to recognize the fact you have constructive mileage working from Vancouver, but that is of no consequence when you look at the position of the Edmonton man in connection with eastern shipments, that is, shipments coming from the east. I think the point is not obscured when you look at Table 5, I believe

it is, in the brief. We point out that it is simply a matter of the percentage reduction that is granted as a result of the constructive mileage.

MR. SHEPARD: Thank you, Mr. Harries.

CROSS-EXAMINATION by MR. EVANS:

Q Mr. Harries, did you prepare this brief, or have a part in the preparation of it?

A I had a part in its preparation.

Q And you are here as a representative of these boards of trade, are you?

A Yes, sir.

Q Now, then, on page 2 the statement is made that the jurisdiction of the Board of Transport Commissioners is too limited to embark on an investigation of the magnitude that you speak of.

A Where is that on page 2, please?

Q It is the beginning of the second complete paragraph on page 2.

A Yes.

MR. FRAWLEY: Just a minute, please. The witness is here to assist the boards of trade in their presentation. He said he had a part in the preparation of this document. I do not know whether he had any part in the preparation of that paragraph. I rather thought the arrangement was that the examination would be directed to the various people who had a part in the preparation of the document.

THE CHAIRMAN: If Mr. Harries is not prepared to answer he can say so, and somebody else will.

MR. FRAWLEY: That is right, sir.

THE CHAIRMAN: Mr. Nolan will see to it that somebody is produced who can answer the question.

MR. NOLAN: As far as the statement referred to by Mr. Evans is concerned, it is a statement of fact. That is what was urged on that occasion, and it has been set out here to give the Commission something of the historical background of the complaints of the people.

THE CHAIRMAN: Yes, it is merely a statement of what somebody else said.

MR NOLAN: Yes, at that time, and it merely gives us some sort of stepping off place so that we can show that what we say today is not inconsistent with what we said in other days when we had opportunities such as this. I do not think there is anything controversial about it because it is, as I say, what was said at that time.

MR. EVANS: There is nothing controversial about it at all if my friend will say now that he does not think that statement is true today. If he will do that I am perfectly content to forego cross-examination on it.

MR. NOLAN: Of course I am not going to give any evidence, Mr. Chairman.

THE CHAIRMAN: Perhaps Mr. Harries can let us know whether it is his own opinion.

MR. EVANS: I merely wondered whether the witness had any views to put to the Commission as to how far the Board's powers are limited.

THE CHAIRMAN: I think that is quite proper.

MR. EVANS: And to what degree he thinks they are limited.

THE WITNESS: I would have nothing to say on that.

this is an extract from the brief which was presented by the Edmonton Chamber of Commerce in the 30 per cent case. In that submission they made a statement that in all probability the jurisdiction of the Board of Transport Commissioners was limited.

MR. EVANS: Q. Do you yourself think it is limited?

A I have no opinion on that.

Q Then, are you familiar with the communication of the Chamber of Commerce to Edmonton to the federal cabinet?

A An extract of which appears here?

Q Yes.

A I am familiar with it inasmuch as I read it here and I have read the complete letter.

Q You did not have anything to do with the preparation of that?

A No.

Q And do you know whether the Chamber of Commerce regards this present procedure before the Commission aas an appeal from the Board?

MR. FRAWLEY: This witness cannot speak for the Edmonton Chamber of Commerce.

MR. O'DONNELL: He is speaking on behalf of the Chamber of Commerce surely. You are not going to play hide and seek with the witnesses in finding out who is who.

THE CHAIRMAN: The witness says that he does not know.

MR. EVANS: Q. I gather that you cannot answer

any questions as to that communication?

A No, I would not feel that I could, sir.

Q On page 5 there is a reference to the handicap as a result of the national tariff policy, and the statement is made in the second paragraph that this was designed to compel him - the resident - to purchase the greater bulk of his required manufactured goods in eastern Canada. It goes on to say:

"The effect of this tariff policy was therefore to emphasize the geographical disadvantage which he suffered," and so on.

What I want to ask you about that is whether it is your suggestion, or the suggestion of the Chamber of Commerce and the other parties to this brief that, except for the tariff policy,the bulk of the manufactured goods used by residents of Alberta would be imported from the United States?

A I would not say that the bulk of them would be imported. I think the effect of the tariff policy was, as we stated here, to make them purchase the bulk of them in eastern Canada. That is, I do not think you can put it down in percentage terms, but if that tariff policy had not been present I think there would have been seen an increase in the amount of purchasing which was done in the United States. Then, as you got the development of the American industrial regions westward, that is, as they passed Chicago, as they are today, into Iowa and Nebraska, you would have had trade connections there, and I think you would have got some further increase in the purchases from that area. I think that

is the point there.

Q What I get from you there is that a certain increase in purchases from the United States would take place but for the tariff?

A Yes.

Q But you are not prepared to say that the bulk of the purchases would be derived from the United States?

A No, I would not, if you mean by "bulk" 90 per cent of them, or something like that.

Q No, I mean a majority.

A You mean over 50 per cent?

Q Yes.

A Yes, I would say they would.

Q You think they would?

A Yes.

Q And have you investigated the transportation costs from the points from which they might be imported?

A No, I do not think it would be fair to say I have investigated them.

Q I suppose without having done so you could not form an impression whether the burden of transportation costs would be greater or less if you were permitted to purchase those goods in the United States free of the tariff?

A As I understand it, there are really two considerations that enter there. You establish your trade relations, western Canada with eastern Canada, and the whole trading fabric is based on that exchange. If you cut that off today and removed the tariff, and said to the people of western Canada, "you may now purchase

anywhere you want" we would not immediately rush down into the United States to buy over 50 per cent of our goods, but I think given time you would have an adjustment in the trading arrangements, and I think an adjustment in some of the freight rates which apply there, which apply from Iowa and Nebraska, which are closer to us than eastern Canada, and the result would be even lower freight rates on some of the requirements that we import here.

Q You hope but you don't know?

A No, I would submit that would be the effect.

Q But have you taken into account in that consideration the higher scale of rates in the United States?

A That is just what I am pointing out. The trade has been between the east and the west, and the rates have been adjusted to accommodate that trade. There has not been any encouragement of the trade between Iowa and Alberta, to take two points.

Q Let me put this to you. Are you convinced that the scale of rates between United States points and eastern Canadian points is lower, or as low as rates within Canada?

A As I understand that question you are asking me whether the general level of rates on the American railways is lower than the general level of rates on the Canadian railways?

Q No, you said to me that if the tariff policy had been different then the trade might have moved in a north and south direction?

A Yes.

Q You referred to the fact that that was so in the east to a larger extent, and I asked you --

A Pardon me, I referred to what?

Q Did you not suggest that the movement north and south in eastern Canada was greater than it is inwestern Canada?

A No, I never said anything about that.

MR. FRAWLEY: He did not say that at all.

MR. EVANS: Q. Then you do know that the movement north and south is much greater in eastern Canada than in western Canada?

A Yes, generally, in part because of the demands of western Canada because we get a lot of raw material from the eastern states by way of eastern Canada.

Q What I am suggesting to you is that, even where that has been the case, the level of rates on traffic actually moving into and out of Canada north and south, between points in the United States and points in Canada, is higher than the level of rates within Canada?

A You are talking about today or for the past twenty-five years?

Q I am talking about today.

A Today I would agree with you, but not for the past twenty-five years.

Q We have not talked about the past twenty-five years.

A Oh, no.

Q We are talking about something that you want, are we not?

A No, we say that the general effect of the tariff

policy has necessitated us getting things from eastern Canada. That does not mean today; it means over the past fifty years.

Q If I have got any suggestion out of what you have been telling me it is that you think that if the tariff policy was different your traffic would move between here and the United States, north and south, rather than to and from eastern Canada? Is that right?

A That is what I tried to point out to you, that if you changed it today the immediate effect would not be to change the trading axis, but the gradual effect would be to change it, yes.

Q Now, then, from my standpoint what I want to know from you is, whether that takes place tomorrow or immediately or over a long period of years, your suggestion is that your over-all transportation costs would be thereby reduced?

A That is right, sir.

Q And I ask you whether you have anything to support that, whether you have made any investigation to see how that could develop, and has developed in the United States where traffic does move that way?

A The thing I base it on is the fact that we are closer to our source of supply. Under those ciraumstances we would be closer to our source of supply.

Q But suppose the scale of rates is two to one higher?

A Then unless the distances were less than 50 per cent we would not benefit.

Q Well, the fact is you have not investigated this

subject and you only hope that would be the result? Is that not a fair way to put it?

A Oh, there has not been a difference of anything like two to one in the level of rates, and consequently I think it is based on a little more than a hope.

Q You think there are no such cases?

A No, I said I do not think the general level of rates has been anything like two to one.

Q Now then, further down the same page you speak of the non-competitive nature of the transportation agencies.

THE CHAIRMAN: Q. Just a minute, please, before you leave the question of the customs tariff. I understand that there is no custom tariff at all as far as farm machinery coming from the United States. Is that right?

A I understand that, yes, sir.

Q Where does the greater part of the farm machinery which comes into this province come from, the United States or eastern Canada?

A I have no figures on the relative movement, but I know on one class of movement, tractors, with the exception of the Cockshutt company, they all come in from the United States. I do not know what percentage of the movement that would be. We get Massey-Harris combines here from Canada, but we also get John Deere, Case and I.H.C. from the United States. I do not know the relative proportion, but I would venture to say that on the high cost machines, the machines with motors in them, we do get most of our requirements from the United States manufacturers. Things liks plows and seed drills would come

from eastern Canada for the most part.

MR. EVANS: Q. From what points in the United States would you get these large tractors, Chicago?

A Well, East Moline and Racine.

Q Racine is in Wisconsin and East Moline is in Illisois?

A Yes.

Q I suppose those are in the Chicago area?

A Yes, it would be fair to say that.

MR. FRAWLEY: Hopkins, Minnesota.

MR. EVANS: Are you aware of the fact that certain farm machinery can now move east from Chicago to Windsor and take the Canadian rate around the lakes and still be delivered to the west cheaper than the rate direct from Chicago?

A I have heard that statement made, yes.

Q I suggest to you that perhaps that is an indication that this hope that you have perhaps will not materialize?

A That may be due to a very low Canadian rate, or it might be due to the fact that you have a very high American-Canadian rate moving up the other way.

Q Of course it would, yes, but it rather suggests that Canadian rates may be lower, does it not?

A That is one possibility.

Q Now, then, you mentioned the non-competitive nature of the transportation agencies in Alberta. Are you suggesting that there is not a very substantial amount of truck competition in Alberta?

A I think it is fair to say generally that we are

a non-competitive area, particularly for long hauls, and it is really the long hauls we are interested in. I think there is truck competition on the shorter hauls in Alberta, certainly.

Q That is within Alberta, and it is your long hauls east and west you are talking about?

A I think even on inter- provincial movement truck competition is not too significant here. It certainly is between Calgary and Edmonton or with livestock shipments or something like that.

Page 1520 follows

Q. But you would not take the position that the benefit of competition does not affect your east-west rates?

A. I am aware of the extent that there is the effect of water competition on the east-west rates, certainly.

Q. There is a phrase used here referring to the peculiar reverence with which the principle is held. Is that your view, that it is, perhaps, mere reverence, but erroneous in principle?

A. I think, in some respects, the principle is a sound one, that of charging what the traffic will bear. I can see it applying to commodities within a classification, but I do not think it should be applied between regions.

Q. But you do agree it is a sound principle, when you are measuring the ability of commodities to move?

A. With reference to the manner in which a commodity is classified, I do not believe it would be, in respect to charging coal and silk the same rate. No, I think there is discrimination which is legitimate there.

Q. Yes. Well then, what is meant by saying that this peculiar reverence adds fervor to an already heavy burden?

A. We are talking there about the principle of charging different rates in different regions, based on the premise that, in one region, there is lack of competition; and consequently the traffic can stand a heavier charge.

Q. You do not believe in the establishing of competitive rates necessary to meet competition?

A. No. First of all, with standard rates, I think it

is generally agreed that there is a difference in standard rates, and that that difference in standard rates has been related to the competitive conditions, leaving aside competitive rates altogether for the moment; and that it is based on this principle of "what the traffic will bear.", too; but I do not think that is a sound application of the principle.

Q. You are suggesting that the difference in the standard tariffs which, of course, the Board has held to be caused by these conditions in the east, is the same thing as "what the traffic will bear"? One is provided by competition, while the other has nothing to do with competition?

A. I do not quite follow you there. Because, if you charge what the traffic will bear, that will be related to the competition which you enjoy in a particular area.

Q. But that is not the rule we are talking about. The rule of "what the traffic will bear" is not, in a sense, related to competition at all.

A. Well, it is in my mind.

Q. Because someone suggests that it is a monopolistic principle?

A. That word is used loosely; but any time you charge different prices to different consumers, or in different sections of the country, I think it would be fair to say that there is an element of monopoly.

Q. Is it a monopolistic principle in your view, or is it not?

A. There are elements of monopoly in the principle.

Q. I know there are elements of competition.

A. Certainly, certainly!

Q. At the bottom of page 6 and the top of page 7 there is a strong statement made about traffic moving from the international boundary to western Canada, and that the only available rates are the standard mileage class rates. Are you familiar with that situation?

A. I think that statement would have to be qualified; on traffic moving from the international boundary into western Canada, that applies to a large extent on that traffic.

Q. Would you suggest that these standard mileage class rates are the only available rates from the border points in western Canada?

A. In a large number of cases.

Q. Are you clarifying now what the brief says?

A. Yes, I am, to the extent that it applies to a large number of cases.

Q. I imagine you know the way those rules have been equalized over longer routes and shorter routes?

A. Yes.

Q. And you know there are commodity rates on some items?

A. Yes.

Q. Now then, on page 11 - no, I won't bother with that; Mr. Shepard touched on it, so perhaps I should, because I was not quite clear what this point was about. The constructive mileage - I got from this brief - and you will check me if I am wrong - that the contention made here was that the effect of the constructive mileage between Fort William and Winnipeg should be applied throughout the

journey westward from Winnipeg?

A. Yes.

Q. Now, would that involve increasing - let us say - would that involve leaving Winnipeg as it is, and giving increasing effect? Or would it involve decreasing the effect at Winnipeg, and giving an increasing effect as you go West?

A. I think the first alternative would be a reasonable one.

Q. So the effect which you want is: Instead of an over-all benefit on assumed mileage of, let us say, 130 miles, you think that should be 130 miles, the effect at Winnipeg, and increasing probably to 300 or something at Alberta?

A. We think that we should have the same absolute rate reduction here as they have at Winnipeg; and because you get a better rate, does not mean an increased mileage here.

Q. So, as regards traffic moving from Fort William to Alberta, there would be an assumption of constructive mileage of not 130 miles, but there would be up to 300?

A. There would be larger constructive mileage, and the same rate reduction as you get at Winnipeg.

THE CHAIRMAN: Q. How did you put that last?

A. There may be a larger constructive mileage out here, in actual mileage, but the rate reduction would be the same.

MR. EVANS: May I proceed, sir?

THE CHAIRMAN: Yes.

MR. EVANS: Q. On page 12 there is an assertion

that the rate structure encourages the transportation of certain commodities in a raw, rather than in a partly finished stage?

THE CHAIRMAN: Where is that?

MR. EVANS: That is in the paragraph with the Roman V.

THE CHAIRMAN: Yes, I have it.

MR. EVANS: Q. Now then, you refer there to the intention to bring evidence before the Commission by a meat packing company. Is that the Gaynor Company?

A. Yes, sir.

Q. Are you of the view that processed materials from the raw materials should move at the same rate as the raw materials?

A. No, no. We are of the view that there is a relationship, a correct relationship, between raw materials and the finished products.

Q. Yes; and that relationship has a good deal to do with the value,has it not?

A. I woud say it has a good deal to do, in economics, with the input-output. The funcation you put to raw materials is to get one finished product. If you are going to encourage an industry, you would make a rate on the finished product higher than the two to one relationship which exists between raw materials and the finished product.

Q. You have a formula for this?

A. No. That is not a formula; that is just an example.

Q. I just wanted toget the principle of it. It has to be related to value, the value of the processed article

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as compared with the raw material?

A. Yes, it can be related, but it does not have to be related to the value at all.

Q. Does it not have to be related to the value in the scheme of things, whether "what the traffic will bear" fully applies?

A. It is related in the sense that: If you take two units of raw material to make one unit of finished product, and do not put a lot of labour into it, the conversion you will get, the finished product will be worth twice the raw material; but if the percentage of the total input combined by the raw materials is small - there is the 75 per cent labour, then the relationship is going to be much greater than the two to one ratio in which they are mixed.

Q. I think there can be no doubt about that, to the extent that processing increases the value, it must follow?

A. Yes.

Q. How is that principle of value to be given effect to?

A. I do not think that necessarily follows.

Q. Do you or do you not think that the value of the processed article should be reflected in the rate on the processed article?

A. Yes. It should be reflected in the classification in which it moves, sir.

Q. The statmment is made in the preceding paragraph, that which is Roman numeral four, that transcontinental rates constitute a discrimination against the Alberta shipper? Is that your view?

A. Yes, I think it is.

Q. Are you familiar with the judgment of the Board in the General Freight Rates Investigation, on that point?

A. In 1927?

Q. Yes.

A. I have read it, yes.

Q. And do you disagree with it?

A. I don't remember what they said.

Q. May I refer to it; I won't read it, but I will just refer the Commission to 17 J.O.R.R.

THE CHAIRMAN: 17?

MR. EVANS: 17 Judgments, Orders, Regulations and Rules of the Board. That is the general freight Rates Investigation. It begins at page 132, and there is a statement about the transcontinental rate scale at page 136; that is the judgment of the Chief Commissioner. And the burden of that statement is that the transcontinental rate scale should be commended rather than criticized. Then, on page 13--

A. Is that page 13 of our brief?

Q. Yes.

A. I think, Mr. Nolan, that I might sit down.

MR. NOLAN: Where you going to ask some questions concerning section 7, Mr. Evans?

MR. EVANS: No, I do not think so.

MR. NOLAN: Or section 6?

MR. EVANS: I was going to ask some questions about tomatoes, unless there will be a gentleman here who can answer those questions.

MR. O'DONNELL: I have a question about section 7.

C. F. HATFIELD, called

THE CHAIRMAN: Who is this gentleman?

MR. NOLAN: This is Mr. C. F. Hatfield, Mr. Chairman.

MR. NOLAN: Q. Mr. Hatfield, you are employed by the Consolidated Fruit Company?

A. Yes, sir.

Q. In what capacity?

A. Traffic manager.

Q. And you have been with them for how long?

A. For close to 20 years.

Q. My learned friend, counsel for the Canadian Pacific Railway, would like to talk to you about tomatoes. So would you turn to that part of the brief which contains the information which you supplied?

MR. EVANS: Q. You know about tomatoes, Mr. Hatfield?

A. Do you mean the cowardly ones?

Q. No, I mean the tomatoes you have got in your brief. Are they cowardly?

A. Sometimes!

Q. You don't mean they are shy when they come in?

A. No, they hit you and run.

Q. In regard to these imported tomatoes, the suggestion there is that the Canadian Pacific should not receive more than a proportionate share, based on the mileage haul. I was wondering whether you were aware that the general rule applied in making provisions in favor of originating and terminating, that the minimum or 25 per

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cent of the revenue -

A. I would not say that I was familiar with the division, because, as a rule, it is not public property.

Q. But the Interstate Commerce Commission has made findings has it not, that, as a general rule, the original or terminating carrier, no matter what the mileage the movement offers, is entitled to a minimum of 25 per cent, referring to a rule of thumb?

A. Well, all right.

THE CHAIRMAN: Twenty five per cent of what?

MR. EVANS: Twenty five per cent of the through rate, Mr.Chairman. There is criticism that we get 27.5 per cent of the revenue for 6.9 per cent of the distance; and I was trying to see if there was a real basis for the criticism.

MR. FRAWLEY: Have you a reference to the ruling, Mr. Evans?

MR. EVANS: No; but I understand that it is a general rule; though there may be exceptions by agreement or otherwise.

MR. EVANS: Q. Is the C.T.C. rule similar? I don't suppose you know?

A. No.

MR. EVANS: Q. Do you know what the basis is from the border on tomatoes?

A. Fifth class mileage.

Q. And that is 42½ per cent of the first class?

A. All right.

Q. Do you know that tomatoes moving in the zone in which Sweetgrass is, which is the border point we are talking

about, have about 200 miles, and take a rate of 82.7 cents, for about 200 miles.

A. Would take a rate of that, why?

Q. I asked you if you knew that was the fact.

A. No, I only know what I have got here.

Q. I suggest to you that on equal mileage within the states, in the zone in which Sweetgrass is, that the rates or the equivalent mileage on tomatoes, would be 82.7 cents as against 57 cents charged by the Canadian Pacific north of Portal?

A. All right. But that does not release you from the fact that the American carrier receives $2.07 for a very much longer haul, proportionately; and you are dealing with a mileage commodity. I am trying to get away from mileage work. Moreoever, south of the border, tomatoes do not move on mileage rates. North of the border, they do. My thought is that they should be entitled, due to the volume, to at least distributing rates.

Q. May I suggest to you that the railways of the United States, who put in that commodity mileage rate or tariff, were probably encouraging traffic for their own lines and encouraging their own industries; and that is northbound traffic. Do you think it is our duty to do the same thing as the United States railway would do?

A. Do you not think we should encourage traffic?

Q. I am asking you.

A. I am asking you, question by question.

Q. I asked you a question. Would you please answer it?

A. Yes, I think they should.

Q. Will you answer it now, please? I asked you

whether it was not so that United States roads put these tariffs in to encourage their industry in the United States, and whether you think it is our duty toencourage industry in the United States?

A. I would think it was to their advantage.

Q. I asked you if you think it is our duty?

A. And I answered you. That is my answer.

Q. Are you prepared to answer the question I asked, Mr. Harries; on page 2 of the brief, concerning powers of the Board, and the evidence of the Edmonton Chamber of Commerce? Are you prepared to answer the question in the last paragraph, the question concerning competing agencies controlled by the railways?

A No. I have nothing on that.

Q. Has anybody here anything on that question?

MR. NOLAN: I shall ask Mr. Harries to come back to the stand.

MR. EVANS: Yes. I wanted to ask Mr. Harries about page 2, but he said he could not answer.

MR. NOLAN: We can only say that page 2 is a statement of fact and that it was submitted by this organization at that time. That is history. It is of record and it is there for all to record.

THE CHAIRMAN: You are not saying that those facts are true?

MR. NOLAN: No. That is what was said at that time under the conditions which then existed. No amount of cross-examination can change that.

THE CHAIRMAN: Is that not sufficient, that Mr. Nolan is not prepared to say that these bodies were stating

facts when they said these things? And if you want to say that these bodies were mistaken, you can call your own evidence to that effect.

MR. EVANS: There is something in the body of that extract about which, I think, someone should be produced to answer questions.

THE CHAIRMAN: For example?

MR. EVANS: I wanted to ask, for example, what this first paragraph meant:

> "It is the opinion of this Chamber that such an inquiry should be conducted by an independent tribunal, in the nature of a Royal Commission, and this Chamber has so advocated for the past year and a half. In so advocating, the Chamber does not desire to express lack of confidence in the Board of Transport Commissioners, but desires to point out that what may in some respects be an appeal from the findings of a quasi judicial body, should not be referred to the said body."

I thought that if they had some reasons there, some ideas about the limited powers of the Board, that they would like themselves to be cross examined; but I do not really care, if they do not make any attempt to let that stand as proof.

THE CHAIRMAN: Mr. Nolan has told us that he is not prepared to substantiate or to back that up by someone else.

MR. NOLAN : Mr. Chairman, all I can say is this: It is a letter which was sent. It was received, and it speaks for itself. It must be evident, in the light of the

situation as it exists today, as compared to what the situation was when the letter was written. But it is only part of the historical background. That is all it was put in for.

THE CHAIRMAN: Well, you have at least this: There is nobody here who can show these facts to be true; and if you want to go on further and show that they are not true, we will hear you.

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H. HARRIES, recalled

CROSS-EXAMINED BY MR. EVANS

Q. Mr. Harries, the statement is made in the third line from the bottom of the page on page 15 of your brief:

"If these competing agencies are to be controlled by the railways, there is a possibility that the Alberta shipper will suffer. In our submission any development which might have this effect should be carefully controlled. The railways should not be permitted to own trucking services unless those services are distinctly complementary.

Now, the first thing I wanted to ask about was, is it the fear that the railways will gain a monopoly of the trucking business? Is that what is at the bottom of that recommendation?

A. No, I don't think there is any thought that they would gain a monopoly of the trucking industry.

Q. If these competing agencies are to be controlled by the railways, as long as you say there is no such suggestion, then we will pass on.

A. No; not a monopoly, no.

Q. Well, what would cause the Alberta shipper to suffer if there was not a monopoly, a railway monopoly, of trucking?

A. Once again, you may have monopoly elements which are important, without having a complete monopoly. That is, I think the point that we are trying to make here is that we depend on the only other competitive form of transport which we have here, that is, the trucks, and if it was to pass that a substantial part or even a part of

the trucking industry came under the control of the railways, there may be, there is a possibility that there would be, a loss of some of the competitive aspects, and that that would work to the disadvantage of the shipper, for the simple reason that he might have to pay higher rates.

Q. It is a monopoly you are afraid of, isn't it, that the railway would obtain in effect a substantial monopoly of the trucking business?

A. A partial monopoly, sure.

Q. And then what is meant by the statement that the railways should not be permitted to own trucking services unless those services are distinctly complementary?

A. What is meant, I believe, by that statement is that it might be convenient for the railways to own trucking services which operate in areas in which they have not got lines, but the idea of the railway owning a trucking service that operates between Calgary and Edmonton, which is in direct competition and parallels the route that their trains follow, that is a situation which would not appear at least to benefit the shippers in Alberta.

Q. You think that competition between a trucking line that parallels the railway, no matter what use is made of the railway and the highway line -- you think as long as they parallel the railway line they are necessarily in competition?

A. When they are servicing the same points as the railways, hauling the same goods.

Q. And your view is that services of that kind should

not be complementary to one another?

A. Yes, that would be my view.

Q. I suppose you are an expert on the subject, are you?

A. No, I certainly am not, sir.

Q. Well, I suggest to you that you think it over, because I think you are quite wrong about it.

MR. GRAWLEY: What did the witness say? The witness said that the trucking company owned by the railroad company serviced the same territory and se carried the same goods as the railway line. That is distinctly the impression I got from his evidence.

MR. EVANS: He has expressed a view.

MR. FRAWLEY: Well, there is nothing to be thought over about that, it seems to me, my lord, with respect.

THE CHAIRMAN: No, but what I would like to know is, what is the objection to that?

MR. FRAWLEY: The objection, my lord?

THE CHAIRMAN: Yes. Apparently this is put forward as something objectionable.

MR. FRAWLEY: My objection, my lord, is this, that my friend took out of the witness' mouth his answer, and in my respectful submission put a complexion on it that was not warranted. The witness made the statement that the Canadian-Pacific-owned truck line was competing along the same line of railway and carrying the same goods as the rail itself. That is what the witness said.

THE CHAIRMAN: Well, what is the objection to that?

MR. FRAWLEY: No objection to that at all. That

is what the witness said, but my friend Mr. Evans said that the witness should be an expert on the matter of trucks complementing rail service, which was not in the witness' answer, that is all, my lord.

THE CHAIRMAN: Well, the brief says that in the opinion of those who drafted the brief such services should be restrained to those who discharge distinctly complementary services, which I presume means distinctly complementary to the line of railways.

MR. FRAWLEY: That is right. The witness leaves the suggestion withthe Commission that that should be the extent of the railway's participation in the trucking business.

THE CHAIRMAN: The question in my mind is, why should the railways not compete by truck with other truckers?

MR. FRAWLEY: Quite so. I did not understand your lordship's point.

Q. His Lordship is asking, Mr. Harries ---

A. I think the view on that is that if you have competition between a trucking company and a railway company in the carriage of goods between two points, and those are two different owners, there would be, I think, a tendency to get more competition in the field than if you had a truck company and a railway company both owned by the same firm. I think we get the idea ---

THE CHAIRMAN: What you mean, I suppose, is that the railway trucking line keeps other trucks out; is that it?

A. Well, that it may have an effect upon the rates and upon the competition, sir. It is an idea which I think comes from the United States. As I understand certain of the regulations in the States, the I.C.C. does not permit railway companies to own trucking services which are competitive rather than complementary.

Q. Well, that must present the fear of a monopoly?

A. Yes, on that particular traffic.

MR. EVANS: Q. And I am suggesting to you that when you say a truck line that parallels a railway line cannot be made complementary you were wrong. That is what brought Mr. Frawley's obuection.

MR. FRAWLEY: Yes, that is right.

MR. EVANS: Q. All I am saying to you is this: is it not in your view in the interests of everyone that the benefits, if there be such -- and we think there are -- of the two services combined be given to the shippers? Have you any opinion on that?

A. I agree with that. We said unless they were distinctly complementary, and I would not want to leave the impression that I thought the railways could do everything the trucks could do, or the trucks could do everything the railways could do. They could work together on it, certainly, but it is a matter really of the ownership and the control of those two lines.

Q. Now, who would decide, in your scheme of things, in this prohibition that you set up, whether they were complementary or not?

A. I think first of all I would like to leave the

suggestion that this is a matter which the Commission's experts could look at.

Q. You haven't anything to help us on it?

A. Not as to saying who would decide. Probably the Board of Transport Commissioners, or whatever the Act says, but I think it is something that should receive consideration, certainly.

THE CHAIRMAN: Q. Do you think that shippers would be better off if the Canadian Pacific Railway was not allowed to run truck lines except such as are complementary?

A. I think that in the long run the chances of them being better off would be greater, yes.

Q. Why? Because other truckers would come in?

A. Yes; because there would be more competition -- or there would not be any danger of there being less competition; probably that is a better way to put it.

MR. NOLAN: I wonder if it would be convenient now for my learned friend Mr. O'Donnell --

MR. O'DONNELL: Yes, I have two or three questions I might ask.

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Harries, on page 7, about the third paragraph, under the heading of "Table 3," the last sentence in that paragraph, you say:

> "In addiont, the Town Tariff Rates apply in both directions while the Western Distributing Rates apply outbound from the distributing point, excepting for distances up to 400 miles for first to fourth class traffic only, where they apply in both directions as truck competitive rates."

That statement does not complete the whole story, does it, with respect to distributing rates and their application in Alberta?

A. I imagine ---

Q. Do they not apply to dairy products, butter, eggs, poultry and cheese, as well both in and out?

A. I don't know whether that is a general rule or not; I know that there are some instances where they apply both ways.

Q. And in addition to the dairy products also there is a list of commodities of which there are substantial movements where the distributing rates apply in and out to all points; are you aware of that?

A. No, I would not be sure.

Q. Well, I won't take the time of the Commission. I think the Commissioners will remember that in Winnipeg we gave the tariff concerning that matter. Then will you please turn, Mr. Harries, to page 10 with respect to the mixing rule. I take it you, as you said, collaborated with other persons in the preparation of this brief?

A. That is correct, sir.

Q. Did you pool, or do you know whether the membership of the Chamber of Commerce was pooled, as to whether or not the mixing rule should be altered?

A. Do you mean pooled or polled?

Q. Polled -- I beg your pardon -- polled; you are right.

A. I think I can say to that that this brief was approved by the committee of the four organizations and that it was passed, and whether they took a Gallup poll I do not know.

Q. Well, in any event, you know -- or have you heard -- that there is some objection to it being changed, on the part of particular wholesalers?

A. I heard this morning there was some objection.

Q. Mr. Petrie's representative, for instance?

A. Yes.

THE CHAIRMAN: What is the exact point, Mr. O'Donnell, for my benefit?

MR. O'DONNELL: With respect to mixing, my lord, as to whether there was unanimity in the suggestion that the rule should be changed. You will remember that in Winnipeg the wholesalers were of one view and other persons were of another, and I merely asked whether in Calgary the same situation prevailed to the knowledge of Mr. Harries.

THE CHAIRMAN: Mr. Harries says yes?

THE WITNESS: Yes; the brief that was presented by Mr. Lewis made that point quite clear. He was not in agreement with this.

THE CHAIRMAN: Q. He said so?

A. Yes.

MR. O'DONNELL: Yes, it is in his brief, my lord.

Q. I wondered whether you knew of any other apart from Mr. Petrie -- the Brock Company, possibly?

A. I don't know.

Q. You don't know?

A. I haven't read their brief.

Q. Now will you turn to page 11, at the bottom of the page, where you say:

"On the Prairie Standard Mileage Scale the first class rate from Fort William to Edmonton would be 108 per cent

greater than the Winnipeg rate, but under the Terminal Rates the Edmonton first class rate is 145 per cent greater than that of Winnipeg."

On the reverse trip -- that is, from Vancouver to the East -- Alberta gets a greater advantage than Winnipeg with respect to the assumed mileage from Vancouver?

A. That is right, but the point in this is that it is Winnipeg that we are competing with on this mileage, it is not Vancouver.

Q. Well, in some instances the shipments are made into Vancouver, and then there is a back-haul here into Alberta; you complained of that as well?

A. Yes.

Q. All I am pointing out is that from the terminal point, whether the terminal point be Vancouver, Fort William or Prince Rupert, the treatment is the same?

A. That is right.

Q. And that the greatest benefit from the assumed mileage is at the point nearest terminal?

A. Yes.

Q. Page 13 -- are you a fruit man, or do we have to talk to Mr. Hatfield?

A. No, Mr. Hatfield.

MR. O'DONNELL: Well, I just have one question of Mr. Hatfield.

MR. NOLAN: Mr. Hatfield, would you please come back?

C. E. HATFIELD, recalled

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Hatfield, I am referring to page 13, with

respect to British Columbia fruits and vegetables?

A. There is one correction to be made there, sir. I did not notice it till just about two minutes before I came over here this morning. You will notice there I have apples to Edmonton 129. That should be 107.

THE CHAIRMAN: Q. Where is that?

A. Page 13, rates from Kelowna.

Q. 129 should be 107?

A. 129 should be 107, yes.

MR. O'DONNELL: Q. You are not as badly off as you thought you were in that respect. You say there you submit that the rates which are paid on this movement are out of line, and you pick the British Columbia fruits and vegetable movement?

A. Yes.

Q. Now, you would not suggest to the Commission that that is a fair way of looking at that problem; there are many rates, are there not, where the reverse is true, that the American rates are higher than the Canadian rates?

A. Well, I was just picking the rates, the comparison between B. C. and Alberta and Washington and corresponding territory to the south.

Q. You know enough about the freight rates, I take it, in both countries to agree that what you have said there may be true in this particular case, but that the reverse might be true in many other cases, and that the American rates would be out of line?

A. Well, I did not check the whole lot, but I checked this particular situation to bring it out.

Q. You did not check what the situation was, for

instance, with respect to the American rates as compared to the Canadian rates on the movements of grain?

A. No.

Q. You have heard them speak this morning of the farm implements from Chicago to Windsor; the out-of-line situation there is the reverse of what you set out at page 13?

A. Well, I would submit this, sir, that it would be hardly reasonable to expect a fruit man to be interested in checking grain rates or farm machinery rates; I haven't time.

Q. Then all I am pointing out to you is that just to pick one rate and hold it up as being an instance ---

A. Well, that is what affects my business, sir.

Q. But you agree that there may be many other cases where the reverse is the situation?

A. Yes.

Q. Thank you very much.

MR. SINCLAIR: I would like to ask Mr. Lewis a few questions.

HAROLD VICTOR LEWIS, recalled

CROSS-EXAMINED BY MR. SINCLAIR

Q. I presume, Mr. Lewis, that I can ask you questions on any part of this brief?

A. Could I ask whom you represent, in the first place.

Q. Canadian Pacific.

A. Canadian Pacific -- not my old friend Mr. Evans. Very good.

Q. The answer is yes?

A. The answer is that I wrote it, so if there is anybody who knows anything about it it should be me.

Q. Thank you. Now, at page 1 of your brief, in the

second paragraph, you say:

"Climatic conditions greatly restrict the variety of food products which can be produced in this province."

Can you tell me what food products cannot be produced in Alberta, other than fruits?

MR. NOLAN: Pineapples.

THE WITNESS: The commodities that we find it necessary to purchase in other parts of the country are a very large proportion of all the canned fruits and vegetables.

MR. SINCLAIR: Q. That is, food products. Let me help you, possibly. Do you have to import potatoes?

A. We do not handle potatoes to any considerable extent. We do import potatoes. At the present time we are importing potatoes from California.

Q. That is just at the spring part of the year, out of season?

A. Well, that is part of the climatic conditions that necessitate bringing potatoes in from California in the spring of the year.

Q. You have to bring in fruits from tropical climates too, don't you?

A. I beg your pardon?

Q. Tropical fruits you have to bring in?

A. We bring in tropical fruits, yes, from wherever they grow.

Q. Do you bring in flour, sugar?

A. Sugar.

Q. You bring in sugar, do you?

A. We bring in sugar.

Q. Don't you manufacture sugar around Raymond, Alberta?

THE CHAIRMAN: Did he say they bring in flour?

THE WITNESS: No, no flour.

MR. SINCLAIR: Q. Don't you manufacture sugar near Raymond, Alberta.

A. Nevertheless we bring in sugar from Vancouver. We unloaded a car on Saturday or Friday.

Q. Isn't that a pricing arrangement of the manufacturer of the sugar, and it is his wish that you take Vancouver sugar rather than Raymond sugar? Isn't that a fact?

A. No, it is there, we should take Raymond sugar to as great an extent as possible, but I think when you get to Vancouver perhaps you can find out more about the sugar business than I have ever been able to.

Q. Can you order sugar from Raymond to Calgary?

A. Yes.

Q.Then you are not restricted on sugar, are you?

A. Certain varieties only.

Q. Well, are you greatly restricted? I am using your adverb there. Let us be fair, Mr. Lewis.

A. (No answer)

Q. All right, I won't bother you any more.

A. I don't know what you mean. The variety of food products that are produced in Alberta in quantities sufficient to supply the local demand is very much less than the variety that are produced in either British Columbia or Ontario.

Q. Yes, but the staple products of food are produced in Alberta; they are very fortunate in having developed a sugar-beet industry and a truck-growing industry, and they have peas and corn?

A. We are gradually developing a canned goods industry in Alberta, yes.

Q. That is the only point I had in mind, that "greatly restricted possibly was a little extravagent?

A. All right, mark the "greatly" out if you like in your copy.

Q. Well, if it was not true you should not have said it, Mr. Lewis, that is all; it might leave an impression that was not quite correct. Now, in dealing with trans-continental rates, Mr. Lewis, on page 3 of your brief, you suggest that it is grossly unfair that you should have to pay the cost of the double haul across the mountains. Do you suggest, Mr. Lewis, that you pay the cost of the double haul or that a double haul in fact takes place?

A. I have known both to be the case.

Q. Are you not aware that the rate to Alberta points does not exceed transcontinental rate plus the back-haul, the rate and the back-haul?

A. Yes, the transcontinental rate is 60,000 pounds plus a back-haul and a minimum of 24, so it is quite possible, and it happens in the winter, to ship a 60,000 pound carload on the transcontinental rate from Ontario to Vancouver and take half of it out and haul the other half back to Alberta and save about 2 cents a hundred, I think it used to be; I don't know what the figure is lately.

Q. Well, that does not depend on the railways; that

depends on the way you order your goods, doesn't it?

A. No, it depends on the railways, because we do not get any high minimum reductions.

Q. Possibly the mixing rule might have something to do with it too?

A. Well, do you want us to bring in half a carload of barbed wire with our sugar, and you pay the bad orders?

Q. I am only asking for help and information, Mr. Lewis, and you are supposed to be an expert in this field?

A. And I am.

Q. And I was just trying to get something of assistance to the Commission.

A. Very good.

Q. Now, you know, Mr. Lewis, with all your years and years of experience, that the combination of the trans-continental and the back-haul if it makes lower, is the rate for Alberta?

A. Correct.

Q. And that that has been of benefit to Alberta, in that it on occasionmakes a lower rate?

A. I presume that that would be the case; I have known it to happen.

Q. Now, on page 3 also of your brief, in dealing with trucks,you say:

"They are also subject to negotiation on desirable business."

What do you mean by that, Mr. Lewis?

THE CHAIRMAN: Whereabouts is that?

MR. SINCLAIR: It is the fifth line under the heading "Trucks" on page 3. The sentence starts

the third word from the left-hand side.

THE WITNESS: Well, the Government of the Province of Alberta, in their Department of Highways,is continually advertising trucking contracts on highway construction. What do you call that?

.Q. Oh, you meant it had not to do with the movement of package goods?

A. If we have a movement, a substantial movement, of goods from one point to another, it is conceivably possible to find a trucker who will quote a better rate than some other trucker or than the railroad.

Q. You think that is of benefit to the transportation industry and the shippers of Alberta?

A. I think it is a benefit to people who have to pay the charges, yes.

Q. What if your competitor was able to make a deal and you were not?

A. Well, that shows that he is cleverer than we are.

Q. That is what you like, is it? How would you think that should be applied to transportation rate? Cleverness would be the basis?

A. My argument entirely is based on the fact that other people have been able to make a better bargain than we have, and that is what we are howling about.

Q. I see; you don't like that; you don't think that it should be that way?

A. I think within reason.

Q. You would like to qualify that quite a bit, too, wouldn't you?

A. I don't think so.

Q. You would not. Do you think that highway rates should be regulated in Alberta?

A. By whom?

Q. By the Government?

A. No, definitely not.

Q. They should not file them? They should not have to file their rates with the regulatory body?

A. Personally I do not see any more reason why a truck man should have to file his rates with a regulatory body than that we should have to file our prices on groceries.

Q. And you do not think those rates should be subject to complaint or disallowance?

A. Definitely not.

Q. You do not think they should have to give any notice of a change in a rate in advance?

A. Who?

Q. The trucker?

A. The truck man?

Q. Yes.

A. No; if the truck man comes around to our backdoor and we have got some stuff to haul we can make a deal with him then and there; I don't see any reason why we should not be able to.

Q. You do not agree, then,with the principles of undue preference and unjust discrimination applied to truckers?

A. I think the whole trouble with the railroads is that there have been too many ---

Q. Just answer the question, Mr. Lewis; that is the easiest way.

THE CHAIRMAN: What is the question?

MR. SINCLAIR: I asked him, did he not agree with the principle of unjust discrimination and undue preference as applied to truckers.

THE CHAIRMAN: That is, among shippers?

MR. SINCLAIR: Yes.

THE WITNESS: I don't know what he means.

THE CHAIRMAN: Q. Well, among shippers, if trucks started giving discrimination to one of the shippers in his favour as against other shippers, would that be in your opinion a wrong thing to do?

A Not if one shipper's business warranted a better rate than another man; I don't see any reason why he should not get it. The whole trouble with the railroads, as I was trying to say, is that there have been too many people trying to regulate them.

Q The railroads?

A The railroads.

MR. SINCLAIR: That is all the questions I have.

THE CHAIRMAN: Mr. Sinclair, we are about to adjourn, but before we adjourn I want to ask this:

Q You say in your brief, talking of trucks:

"Any attempt to regulate trucks to the advantage of the Railroads is doomed to failure. There are too many of them and they are here to stay."

You are not afraid of a railway monopoly coming along by the railways going into the trucking business?

A No.

Q Somebody else said he was.

A No;I don't get it; I don't get that as a probable

danger at all. Anybody with a couple of thousand dollars or even less can get into the trucking business. I don't see how you can start a monopoly -- unless somebody or other starts regulating them; then you have a monopoly.

MR. SINCLAIR: I have no more questions, sir.

THE CHAIRMAN: Adjourn now until 2.30.

---The Commission adjourned at 1.00 p.m. until 2.30 p.m.

(Page 1553 follows)

Calgary, Alberta
June 13, 1949

AFTERNOON SESSION

MR. SINCLAIR: I think it would be of interest to the Commission if I were to file the official roadmap of Alberta. I will hand five copies to the Secretary. I understand that it will be Exhibit 19.

THE CHAIRMAN: That will be an exhibit?

MR. SINCLAIR: Yes.

THE CHAIRMAN: What number?

THE SECRETARY: Exhibit 19.

EXHIBIT No. 19: Official roadmap of Alberta

MR. SINCLAIR: I should also like to draw the attention of the Commission to the evidence and cross-examination of Mr. Lewis in the 30 per cent case when he appeared on behalf of Louis Petrie and the other wholesale grocers of Calgary. That evidence will be found at --

MR. FRAWLEY: Before Mr. Sinclair puts the page into the record I should like to make the same objection that I made at Regina with regard to the relevance of statements made by this witness in the 30 per cent case. We will not discuss it here. You will remember it was discussed at Regina. We take the position this is of no moment, what this witness said in the 30 per cent case. They are two separate proceedings entirely.

THE CHAIRMAN: It depends on what the evidence is, of course. I do not know what is coming.

MR. FRAWLEY: Do you propose to cross-examine the witness on what he said or just put it into the record, just put into the record the fact that at a certain page

he said something?

MR. SINCLAIR: I am merely putting into the record the examination and cross-examination of Mr. Lewis in the 30 per cent case to show (1) the issues he had before them and (2) the discussion in regard to certain matters that were brought up. I am not going to ask Mr. Lewis any questions on it at all. I am just putting it there for the benefit of the Commission, for their information, and I hope assistance.

MR. COVERT: Have you got the volume and the page?

THE CHAIRMAN: What objection do you see to that?

MR. FRAWLEY: This Royal Commission is certainly privileged, Mr. Chairman, to go into the record in the 30 per cent case and read every word in the 30 per cent case if it so desires. That is quite true. I see no purpose, and I think it is an objectionable proceeding, to put into this record, and make a part of this record, what the witness said in the 30 per cent case two years ago because if that is so then we could incorporate and put into this record everything that every witness said. From the mere mechanics of it that would be an objectionable proceeding. I think it should be simply left this way, that the Commission can certainly go into the record of the 30 per cent case, and read all the exhibits and all the evidence as well as the judgment.

THE CHAIRMAN: If Mr. Sinclair refers to it and makes an exhibit of it we will see it anyhow. In this brief, for instance, you have statements made by other people, boards of trade, provincial governments, and so on. They are there. I do not see what harm they can do,

and I do not see what harm this can do. We do not want to be over-emcumbered needlessly.

MR. SINCLAIR: It is merely to give the Board the reference when Mr. Lewis was a witness in that case acting for the party he is representing today, and for the particular reasons that I gave.

THE CHAIRMAN: What happened on that occasion?

MR. SINCLAIR: He gave evidence and was cross-examined.

THE CHAIRMAN: What did he say on that occasion?

MR. SINCLAIR: He talked about transcontinental rates, the burden of freight rates and similar matters.

THE CHAIRMAN: Was his evidence then any different from the evidence he has given today?

MR. SINCLAIR: It is more detailed. The cross-examination was lengthier and more detailed. It may be of interest to the Commission, and I think it will be of assistance, and a further convenience to the Commission but it is a matter for the Commission to decide.

THE CHAIRMAN: I am sure you would not add to the record, which is going to be a very great one, unless you thought that it was really going to be of interest.

MR. SINCLAIR: Quite so.

MR. COVERT: May I make an observation? It occurs to me that we might lessen the objection and save time if, whenever they refer to that, they would simply not refer to it as putting it into the record, but simply say that the examination and cross-examination in the 30 per cent case might be of interest to the Commissioners, and that it is found in volume such and such. I think if

it were accepted in that manner perhaps provincial counsel would not take objection.

MR. SINCLAIR: That is quite satisfactory.

THE CHAIRMAN: Do you intend to point out any conflict between what Mr. Lewis has said so far today and anything he said on the other occasion?

MR. SINCLAIR: No, sir. He talked then of transcontinental rates; he talked about transcontinental rates today. I thought that this procedure would shorten the hearing and be of convenience to the Commission, instead of asking him the same questions, to which I presume he would give the same answers. I thought it would be preferable not to go over that ground again. I think the suggestion of Commission counsel is very satisfactory, and that is the basis on which I put it.

MR. NOLAN: After all, Mr. Lewis is my witness, and I object to this procedure. I think if there is anything he said on a former occasion which is in conflict with what he says today to the Commission, he should be confronted with that evidence. That is the normal and usual procedure, and I think it should apply equally well here before this Royal Commission. The idea of putting in what somebody said two years ago on another proceedings before a Board, which was interested in an entirely different problem, seems to me to be only encumbering the record, and is not fair to the witness.

THE CHAIRMAN: As to the question of prejudicing somebody's case unfairly, that cannot arise in this sort of inquiry. The only thing that might arise would be an undue cluttering up of documents on the record of the Commission. I trust that all counsel will see that is not

done. Under the circumstances I think Mr. Covert's suggestion is the one we have to follow.

MR. EVANS: That is really all we want, to give the Board the reference, if they want it.

THE CHAIRMAN: Yes. I think you had better go on from there.

MR. SINCLAIR: I should like to put certain other information on the record. My information is that public service vehicle licences issued by the Province of Alberta for the year 1948 - that is for common carrier truck operators - amounted to 8,142.

THE CHAIRMAN: 8,142 what?

MR. SINCLAIR: Public service vehicle trucks in the province, and 7,471 in 1947. That is an increase of 671. Commercial vehicle trucks --

THE CHAIRMAN: Does that include the C.P.R. trucks?

MR. SINCLAIR: Yes. I may say to the Commission that of the 8,142 trucks the Canadian Pacific had, through the Canadian Pacific Express Company, 16.

THE CHAIRMAN: Sixteen?

MR. SINCLAIR: Sixteen, and through Denah of Canada Limited, 35. In addition to the public service vehicle trucks there were commercial vehicles - that is parties hauling their own goods, distributors who have trucks and use the highways to distribute their own goods, amounting to 5,761 in 1948, and in 1947, 3,372.

THE CHAIRMAN: Are they a part of the 8,000?

MR. SINCLAIR: No, this is in addition. There were 3,372 in 1947. That is an increase of 2,389 in 1948

over 1947 in commercial vehicles, licensed trucks.

MR. FRAWLEY: For the record, will Mr. Sinclair say where his information comes from?

MR. SINCLAIR: It came from Mr. Jack Taylor, Secretary of the Alberta Motor Transport Association, in his report to the annual meeting of the association which took place on January 7, 1949, I believe.

MR. FRAWLEY: I am sure what Mr. Taylor reported at that meeting was certainly accurate, but why not go to the official issuer of licences for the province of Alberta?

MR. SINCLAIR: Maybe Mr. Frawley would check, seeing that he is representing Alberta, and if there is any correction in the figures I am sure I would be the first to accept Mr. Frawley's figures, and he can put them on the record.

MR. FRAWLEY: I only raise the point because there is a question about the commercial vehicles. Some of them are licensed to stay in the cities where they carry on business, and some are licensed to leave the cities. That enters into this question very materially.

MR. SINCLAIR: All right, I will put on the record the figures for the "C" licensed trucks. These are the ones that remained in the cities. In 1948 there were 3,185, and in 1947 there were 2,613, an increase of 572.

THE CHAIRMAN: Is that in addition to the other figures?

MR. SINCLAIR: All in addition. They are all in different categories, P.S.V., C.V., and C.

[illegible] in commercial permits, licenses to [illegible]

[illegible] any where [illegible]

[illegible] report [illegible] report [illegible] report to [illegible] meeting of the board [illegible] which [illegible] [illegible]

[illegible] sure what Mr. Taylor [illegible] at that meeting was [illegible] seem to, but [illegible] the office I have [illegible] licenses for the province of [illegible]

[illegible] any correction in the figures I [illegible] would be the first to accept Mr. Prowlewski [illegible] them on the record.

[illegible] there is a question about the commercial [illegible] of them are licensed to stay in the [illegible] going on business, and some are licensed to be [illegible] either. Just [illegible] into this position [illegible]

[illegible] put to the [illegible] the [illegible] in the [illegible] [illegible] 1,185, and in [illegible] were 2,615, [illegible]

[illegible]

MR. MacPHERSON: It strikes me that the best evidence rule should apply, and the best evidence as to the number of vehicles can be obtained from the Motor Vehicles branch of the province. I would suggest that Mr. Frawley furnish such information. That would be the best evidence, and evidence on which the Commission could rely even to a greater extent than anything from the Secretary of the Transport Association.

THE CHAIRMAN: I suppose it would be better to have official figures, but is there any reason to suppose that the figures are not right or correct? It is true it does not bring the registrations up to date.

MR. SINCLAIR: I think the licenses are issued in the month of March. New licenses in this province are issued in the month of March, and seeing that Mr. Taylor was the official representative of the Motor Transport Association of Alberta, and was reporting to his members, no doubt his figures --

THE CHAIRMAN: When did he report, January 7 of this year?

MR. SINCLAIR: January 7 of this year.

2 THE CHAIRMAN: He was reporting on last year?

MR. SINCLAIR: Quite so.

THE CHAIRMAN: It would be more up to date if you had the figures for 1949 since March is the month of registration.

MR. SINCLAIR: Of course, the figures should be taken on the full year, because maybe some of these trucks only take out licenses for a part of the year.

MR. O'DONNELL: Mr. Frawley might be able to

solve all that. He is the official representative of the province, and has accessto all these records. He would be glad to get that for us.

THE CHAIRMAN: That is quite right.

MR. FRAWLEY: I will certainly get whatever information the Commission requests me to get.

THE CHAIRMAN: If we are going to have it at all we may as well have it in an accurate condition.

MR. FRAWLEY: That is right.

THE CHAIRMAN: We would be much obliged to you if you would do that.

MR. FRAWLEY: For the same years, 1947 and 1948, and the current licences.

THE CHAIRMAN: Yes.

MR. NOLAN: I understand there are a few more questions to be directed to Mr. Lewis, so with your permission I will ask him to go back in the box.

H. V. LEWIS, Recalled

THE CHAIRMAN: Is there anybody who wishes to question Mr. Lewis further?

MR. O'DONNELL: I might ask two or three questions.

CROSS-EXAMINATION by MR. O'DONNELL

Q The rates shown on page 1 of your brief are a mixture, a conglomeration, are they not? They are rates having different bases?

THE CHAIRMAN: What page?

MR. O'DONNELL: Page 1.

Q They have different bases, and they were established under varying conditions, were they not? Some, for instance, are motor truck competitive rates. Others are transcontinental rates. Others are water compelled rates, and others are partly influenced by water competition?

A They are rates I got from your divisional freight office in Calgary as being the lowest rates that were available at the present time for those movements.

Q But there might be all different types of rates in these examples, might there not? They are not comparisons of like and like, in other words?

A They are comparisons of like and like to the extent that they are the rates that we have to pay regardless of the minimum,whether it is 24 or 60 or some other weight, as against what is payable by other people on the best rate they can get.

Q But they are rates which were made to take care of varying conditions in different places and under different circumstances? They are not strictly comparisons of like and like. That is all I am getting at.

A I am not in a position to say the basis on which the railway makes rates. That is a point that I have often wondered about.

Q You did not look into it? We will leave it at that.

A I did not look into it beyond that those were the effective rates at the present time as given to me from your divisional freight office.

Q That is quite all right, then. At page 2 of your brief you speak of minimums?

A Yes.

Q The cars you refer to there are these large grain carrying cars, are they not?

A They are the cars that they give us to load, that they give our shippers to load.

Q But they were built for that purpose, were they not, to your knowledge?

THE CHAIRMAN: What purpose?

MR. O'DONNELL: Carrying grain; they are big cars.

THE WITNESS: They are the only type of cars that the railway has been building in these last few years. They may have been intended to carry grain, but to the best of my knowledge and belief every car that I ever saw, except for refrigerator cars, has a grain line marked on it.

Q In any event, the size of the car has not affected your minimum in any way?

A It has not up to the present time, but I have reason to believe that the railways are anxious to have the minimums increased.

Q That may be. I don't know about that, but to date they certainly have not affected your minimums?

A They have not affected our minimums.

Q I have one more question as to the mixing rule which you refer to at the bottom of page 2 and the top of page 3. You are among those who think that the rule as it stands should be retained. At the bottom of page 2 you say:

"Our opinion is that the present western rules are generally satisfactory and do not cause any particular hardship."

A That is my opinion.

Q Can you tell the Commission whether or not there is a controversy regarding that matter? Are there not others here in Calgary who are of the contrary opinion?

A Mr. McGreer's brief indicated there are some people who feel that a change in the mixing rule would be to their advantage.

Q Is your company a member of the Chamber of Commerce?

A The Board of Trade, I believe so.

Q In any event, in so far as you are concerned as a wholesaler you think that the rule as it stands is satisfactory and should not be disturbed?

A The rule as it stands is satisfactory to us.

Q Have you any information concerning the attitude taken by other wholesalers in the City of Calgary?

A I have consulted with one other wholesaler, the only other wholesaler whose head office is in the city, and they are in complete agreement with this document that I have submitted.

Page 1565 follows

Q. Would it be reasonable to ask you to let us have the name of the other wholesaler?

A. Horne & Pitfield Limited.

Q. Are your firm and that firm the only wholesalers?

A. No, there are two wholesalers who have head offices elsewhere. Consequently their managers are hardly in a position to enter into this.

MR. O'DONNELL: Thank you, Mr. Lewis.

MR. NOLAN: I would ask to have Mr. Bowlen recalled.

MR. BOWLEN, recalled

CROSS EXAMINATION by Mr. Evans

MR. EVANS: Q. I have one question, Mr. Bowlen; at the top of page 3 of your brief, you speak of ordering a carload of canned tomatoes from Aylmer, Ontario. Is that a 60,000 pound car?

A. Yes.

Q. Do you have occasion to order 60,000 pound cars from Aylmer, Ontario?

A. We have, sir.

Q. Would the ordinary carload imported from the east, of canned tomatoes, run to that size of shipment?

A. I would not be in a position to answer that, whether that is the ordinary routine or not.

Q. Wouldn't you think it rather exceptional?

A. In the case of tomatoes, perhaps, yes. But perhaps there are some items which would have served as an example better than tomatoes, some kind of fruit.

Q. Yes. If you use a smaller minimum than 24,000

pounds, and comparing that with your Vancouver wholesalers, you would find, would you not, that the Vancouver wholesaler would pay a rate of $2.93 for that amount?

A. I am not in a position to comment on that.

Q. I suggest to you that the rate to Vancouver, with a 20,000 pound minimum on canned tomatoes would be $2.93 as compared with your $2.40 here.

MR. O'DONNELL: I have a question.

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. The case of St. Paul, in Alberta, at page 1, that is a Canadian National point, is it not?

A. It is here.

Q. And you are aware of the fact that there are distributing rates published up to 400 miles on L.C.L. shipments in Alberta?

A. Yes.

Q. And also with respect to dairy products, there are distributing rates published to all points?

A. Yes.

Q. And to and from those points ?

A. Yes.

Q. And you are also aware, are you not, that distributing rates are only accorded where there is a bona fide wholesale grocer or distributor?

A. Yes, that has been the practice.

Q. And there is no wholesale distributor at St. Paul, Alberta?

A. That is true.

MR. O'DONNELL: That you very much.

THE CHAIRMAN: That is all, Mr. Bowlen, thank you. Are we through now?

MR. NOLAN: Yes, Mr. Chairman. I did say, earlier in the day, that with your permission, I proposed to bring forward possibly six or seven business men in Edmonton, at the sittings there; which different evidence will be along the lines of the evidence given today and it will, in turn, be complementary to the joint submission which was made at the opening of the session. But at the moment, with nearly all the case before your Lordship, -

MR. O'DONNELL: Mr. Harvey was here this morning.

MR. NOLAN: Yes. Mr. Harvey, would you mind coming forward.

MR. O'DONNELL: He appeared on behalf of The Brock Company (Western) Limited.

J. H. HARVEY, called

CROSS EXAMINATION BY MR. O'DONNELL

MR. O'DONNELL: Q. Mr. Harvey, your company are wholesale drygoods distributors?

A. Yes, sir.

Q. I am anxious to know what your attitude is with respect to the mixing rule. Are you in favor of it as it stands, or do you think it should be changed?

A. We are in favor of the way it stands here.

Q. This rate you mentioned here, on flannellette blankets on page 1, there is no carload rate on that?

A. No, sir.

Q. That is a first class L.C.L. rate?

A. That is right.

Q. And on page 2 you say:

"....it is impossible for us to compete with Vancouver distributors on this item and others...." What other item did you have in mind there?

A. Bedspreads, mattress covers, pillow cases, sheets, towels and diapers.

Q. All similar items?

A. All similar items, yes sir.

Q. These two rates that you set down, the Montreal to Vancouver rate - that is a transcontinental rate?

A. That is right.

Q. And the Montreal to Calgary is one that is partly influenced by water competition in the east; is it not?

A. That is probably so.

Q. That portion between Fort William - or rather Montreal and Fort William, that is influenced by water-compelled rates up the lakes, that 934 miles?

A. These are all rail rates here quoted.

Q. Those are not strictly comparisons of similar rates; they are not rates which are like and like?

A. They are the rates; to Vancouver it is $2.23 and to Calgary it is $2.40.

Q. Have you ever had a shipment of flannellette blankets in carloads?

A. No, sir.

MR. O'DONNELL: Thank you very much.

THE CHAIRMAN: Is that all?

CROSS EXAMINATION BY MR. COVERT

MR. COVERT: I have a few questions, but I do not

know whocould answer them. This is in connection with the brief of the Chamber of Commerce and the Board of Trade. Of these people perhaps Mr. Nolan could tell us. On page 4 of that brief, with respect to maximum freight charges and minimum freight charges in a year, in the case of a sample family, they work out a percentage of costs based on average income. I wanted to find out in connection with that; there is a table at the back.

THE CHAIRMAN: What part of the tabl.?

MR. COVERT: On page 25, table 1, the last page but one. There he refers to the income, the typical income of a typical family, as being $2,000. Was that an Alberta family or is that based on Canadian statistics?

MR. NOLAN: May we just answer that question through Mr. Harries?

THE CHAIRMAN: Certainly.

MR. HARRIES, recalled

THE WITNESS: All we did there was to use the sample which the Dominion Bureau of Statistics used, of the average income in the period when that sample was taken, 1937 to 1939 which was, I believe, $1,486. They point out that the distribution was from $900 to $3,000; and we took that average and then increased it by the Department of Labour index, for an increase in wages and salaries, to get it up to the figure which was approximately $2,000. And we took that and calculated the freight cost on that assumed income, which was directly related to the sample with which we were dealing.

MR. COVERT: Q. So, for the purposes of this brief, it would not matter whether that was an Alberta family or a Canadian family.

A. No, it is an average Canadian family; because they do not break it down regionally for us.

Q. They have made comparative tables in other provinces; and I wondered if the $57.21 minimum was high, when compared with other provinces?

A. We only ran calculations for the freight charges to Alberta.

COMMISSIONER ANGUS: Q. On the latest figures, is the per capita income in Alberta about the Canadian average, or is it higher or lower?

A. I am afraid I could not tell you that without looking it up.

Q. It would be rather important for this argument, would it not?

A. It would, inasmuch as it might alter that $2,000 figure one way or the other; but it certainly would not alter it more than $500, and the percentage of that would be about .5.

Q. Suppposing we found other provinces to be $100 lower, would not the fact that the Alberta family have to pay $57.21 be more than offset by its larger income?

A. The fact they were making more money here?

Q. Yes?

A. It might if they worked harder here than they did in other provinces.

Q. I can't see why you should ask people who are poorer than yourselves to contribute to your living costs?

A. I do not think the intention was to ask for relief, but merely to indicate that there was a substantial freight element in the cost of living here.

Q. You are not suggesting that there was any reason for trying to reduce it?

A. Inasmuch as the alterations which are suggested in the general freight rate structure would have the effect of reducing it, we were not, on the strength that we are paying $57.21 more.

Q. If you are reducing it to improve the position of the people in Alberta, then how would the railways in Alberta maintain their revenue? At the expense of the taxpayers or by charging higher rates which would affect the people living outside of Alberta?

A. We are of the opinion, I think, that if the freight rate structure is fair and logical throughout, this matter of the absolute level at which rates must be maintained is something which would be determined under the financial operations of the railway;. and any increase or decrease in rates, once you have ironed out inequalities, would be borne by everyone across Canada.

Q. If you could get the concessions you are asking for, you would be prepared for something more than the 21 per cent increase, would you not?

A. There would be more than a 21 per cent general increase?

Q. Yes?

A. If the railway companies, on a basis of financial need, required it, yes.

Q. And the effect of that would be to help the people in Alberta by spreading things more equitably; that is to say, by making the people in other parts of Canada pay a little more?

A. The way we look at it is, sir: That it would have the effect in Alberta, of removing the burden we have been carrying for other people, rather than their carrying our burden.

Q. You would be reaping the full benefit of your natural advantages except as regards location; but you would be sharing the disadvantages of location?

A. I think we would accept the disadvantages of our location and that we would not ask necessarily that other people share them with us.

MR. COVERT: Just one more question, something as to which you might enlighten the Commission. With respect to this mixing rule, have you any views on that? We have, for example, the wholesalers who say that the mixing rule in the west is all right. On the other hand, many people want it changed. The question is: How do you determine which is the more logical argument?

A. I am afraid I could not say. I do know that, as I said this morning, the Freight Rates Committee looked at this and said: That is fine! We will ask for the removal of the mixing privilege. I do not know that they found that 75 per cent of their members were in favor of it, and that the other 25 per cent are going to appear before the Commission, or what it was.

Q. Are there any views of your own which you would like to express?

A. No, sir; I am not in a position.

MR. COVERT: All right, thank you.

THE CHAIRMAN: Well, Mr. Covert, what is the next submission?

MR. COVERT: Mr. Chairman, the next submission is that of the Alberta Federation of Agriculture.

THE CHAIRMAN: It is coming ahead of the Rockwool Products Limited?

MR. COVERT: I understand, Mr. Chairman, that the Rockwool Products Limited submission has been withdrawn.

MR. NOLAN: Yes.

MR. FRAWLEY: I call Mr. McFall.

J. R. McFALL, called

MR. FRAWLEY: Q. You live in Calgary, Mr. McFall?

A. Yes.

Q. And you are secretary of the Alberta Federation of Agriculture?

A. That is right.

Q. And does the Alberta Federation of Agriculture comprise the principal farm groups in the province of Alberta?

A. Yes. They would include practically all the farm groups in Alberta, all the major ones.

Q. Your A.F.A. is the voice of agriculture in Alberta?

A. Yes, sir.

Q. And you have prepared a brief for submission to the Commission?

A. I have.

Q. Will you kindly proceed now to put it into the record?

A. Mr. Chairman and gentlemen: I appear before you today on behalf of the Alberta Federation of Agriculture

The way we look at it is, after [illegible]
[illegible] in [illegible] of removing the [illegible]
[illegible] [illegible]

[illegible]

[illegible] the full [illegible]
[illegible] as a [illegible]
[illegible] the disadvantages of [illegible]

I think we [illegible] accept the disadvantages of [illegible]
[illegible] and that we could not [illegible] measurement, [illegible]
[illegible] them with us.

[illegible] Just one more question, a [illegible]
[illegible] you might mitigate the termination. [illegible]
[illegible] making rule, have you any [illegible] on that [illegible]
[illegible] in wholesalers who say [illegible]
[illegible] west [illegible] oil [illegible]. On the other hand, [illegible]
[illegible] it changes. My question is: How do you [illegible]
[illegible] more logical arrangement?

[illegible] I am afraid I could not say. I do know that,
[illegible]
[illegible]
[illegible]
[illegible]
[illegible] point [illegible] going to [illegible] before [illegible]
[illegible], so that is [illegible].
[illegible] [illegible] one which [illegible]
[illegible]

[illegible] No, sir; I am not in a position.

MR. COVERT: [illegible]

THE CHAIRMAN: Well, [illegible]
[illegible]

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Q. Will you kindly proceed now to put it into the record?

A. Mr. Chairman and gentlemen: I appear before you today on behalf of the Alberta Federation of Agriculture

an organization made up of some sixty Alberta farm groups. Included among these are co-operatives concerned with the marketing of farm products and the purchasing of farm supplies; associations primarily interested in the improvement of farm practices; and others such as the Farmers' Union of Alberta which through local units is working for the betterment of the social and economic conditions of its farmer members. Thus, any presentation made by the Alberta Federation of Agriculture is made in the interests of farmers generally and agriculture as a whole.

The fundamental purpose of the Alberta Federation of Agriculture is to co-ordinate the efforts of our affiliate bodies and to work with similar provincial organizations through the Canadian Federation of Agriculture to maintain a reasonable degree of stability within our industry. In this brief we wish to present the broader agricultural picture and show the interdependence of transportation and agriculture in the economic development of our province. We also wish to have representatives of some of our member organizations appear before you to present problems peculiar to their particular sections of the industry. While the Commission is in Alberta the Southern Alberta Vegetable Growers, the Southern Alberta Sheep Breeders, the Alberta Poultry Producers and Alberta livestock interests will all make presentations, as well as the U.F.A. Co-Operative. In addition, our member organizations interested in dairying are co-operating with the Alberta Dairymen's Association in presenting their brief, while the Alberta Seed Growers have made their views

known to you at the Winnipeg hearings in conjunction with the seed growers of the other prairie provinces.

Agriculture in Alberta

To appreciate the Alberta farmers' position in relation to transportation some mention should be made of the productivity of our soils. We plant and harvest each year approximately 10,800,000 acres of wheat, oats, barley, rye and flax. I would correct the next line to read "1947."

THE CHAIRMAN: Q. What is that?

A. 1947, Mr. Chairman.

Q. Instead of 1948?

A. Yes. In 1947 we sold:

289,183 head of sheep and lambs,	or 32.2% of the total market in Canada
1,105,222 head of hogs	or 23.1% of the total market in Canada
87,185 head of calves	or 12.3% of the total market in Canada
423,154 head of cattle	or 27% of the total market in Canada

Page 1580 follows

Our milk production represents 9.7% of Canada's total. During recent years our poultry industry has outgrown the farm flock stage and is a sizeable export industry in supplying dressed poultry meats, shell eggs, powdered eggs and frozen melange.

Then, too, we have our irrigated areas which are producing large quantities of sugar, corn and peas for canning, along with fresh vegetables and potatoes.

This production in relation to our population is particularly significant. Alberta has only two major cities within her boundaries. Close to one-half of its population is on farms. Dominion Bureau of Statistics figures show that although for Canada as a whole only 27.4% of the people lived on farms in 1941 -- for Alberta this figure stood at 49.5%. Even in 1946, in spite of the increase of industry within the province, almost 42% of Alberta's population was resident on farms.

THE CHAIRMAN:Q. Can you tell me this: is this the largest in Canada?

A. On farms?

Q. Yes.

A. I am not sure. Saskatchewan may be ahead of that, but it would be between Saskatchewan and this. The importance of agriculture to Alberta was further stressed in the 1949 budget brought down by Premier Manning. It was shown that for 1948 the gross value of agricultural products was $545,000,000.00, while that of natural resources was $99,000,000.

It is essential for an understanding of the transportation problem facing Alberta's agriculture to

realize that almost the entire production of individual farms must be sold in some market. With the increase in our population the local market is growing but the fact remains that the greater part of that production must be moved to markets outside the province and/or outside the country. Paralleling the outward movement is an inward movement of supplies and equipment. Thus, the typical Alberta farm presents a contrast to the traditional largely self-contained unit which is still to be found in older areas. In our case this represents an adaptation to climatic and soil conditions in relation to available markets. These circumstances underline the obvious importance of efficient, low-cost transportation service to agriculture.

The picture in the last twenty years has changed only in that the trend toward specialization and mechanication has become even more pronounced. To show the greater use of farm machinery we refer you to Table I where it will be seen that the unloading of agricultural implements in Alberta increased from 9,554 tons in 1931 to 68,586 tons in 1947.

Specialization and mechanization have undoubtedly increased the efficiency and volume of production but they have also left the farmer more vulnerable to fluctuating market prices coupled with comparatively constant cash operating expenses such as fuel, oil, repairs, etc. Transportation rates are also fixed charges in that a large portion of the farmer's produce is sold at some outside point at a price less freight. On the other hand, the commodities brought into the province must be paid for at

a price plus freight charges. Consequently, the Alberta farmer usually pays the freight on both inbound and outbound traffic. From this it may be seen that a farmer's basic operating costs are relatively stable as compared to a fluctuating income.

MR. FRAWLEY: Q. I think it would be well to stop and just look at the fluxtuation, Mr. McFall, if you will turn to Table II and just point out to the Commission the fluctuation between 1938 and 1948, for instance?

A. In 1938 -- and that was not one of our lower years, to my knowledge -- we had over $80,000,000, and that in 1948 comes up to $297,000,000, roughly speaking. The other table is broken down more in detail, but you will also note the very wide fluctuations, particularly in field crops, and also in grains, for that matter.

Q. You take this table from the report of the Rowell-Sirois Commission.

MR. COVERT: Excuse me; I am sorry to interrupt. He says "the other table" and you say "this table". If you don't refer to them by number the record will be meaningless.

THE WITNESS: This is Table V we are referring to now?

MR. FRAWLEY: Table IV.

THE WITNESS: Table IV, yes.

MR. FRAWLEY: Q. All right, Mr. McFall, go on.

A. Tables II and LV show the fluctuations in income received by Alberta farmers. These fluctuations are a result of variable farm prices and weather conditions. As an illustration of farm returns in relation to transportation costs, we refer you to the fall of 1932 when the

price of No. 1 Northern wheat at Alberta points was as low as 19 cents a bushel. The freight rate remained constant. It nearly equalled the amount received by the farmer for No. 1 Northern wheat at many points in Alberta. For No. 2 wheat it was equal, and in the case of lower grades the freight haul costs either East or West considerably exceeded the net amount received by farmers.

Bearing in mind the vulnerable position of the grain producer it is not difficult to understand the importance attached to grain rates. The marketing problem of the prairie grain producer cannot be considered a purely sectional matter but is rather one of truly national concern. We do not feel that the marketing of the Western grain crop involves any regional conflict of interests. In fact it would be true to say that the prosperity of other regions is most intimately connected with the success of that undertaking.

TABLE I

REVENUE FREIGHT CARRIED BY CANADIAN RAILWAYS

Loaded & Unloaded at Stations in Alberta (tons)

Year	Agricultural Implements and Vehicles (not including autos) Total Loaded	Total Unloaded	Net Imports
1931	6.416	9.554	3.138
1933	4,857	11.878	7,021
1935	7,047	19,374	12,327
1937	5,416	25,885	20,469
1939	3,842	30,917	27,075
1941	5,137	33,075	27,938
1943	8,091	29,458	21,367
1945	10,113	42,197	32,084
1947	11,844	68,586	56,742

Source: Dominion Bureau of Statistics
Summary of Monthly Railway Traffic Reports

* * * *

TABLE II

NET INCOME of farm operators from farming operations (including income in kind, supplementary payments, changes in inventory and less operating expenses and depreciation.)

		(Thousand Dollars)
Department of Trade	1938	80,825
and Commerce	1939	76,580
Dominion Bureau of	1940	94,396
Statistics	1941	87,737
	1942	208,965
	1943	141,570
	1944	198,307
	1945	143,257
	1946	182,200
	1947	209,100
	1948	297,600

TABLE III

REVENUE FREIGHT CARRIED BY CANADIAN RAILWAYS
FREIGHT LOADED IN STATIONS IN ALBERTA (tons)

Year	1. Agricultural Products	2. Animal Products	3. Total Freight Loaded	Percentage 1 & 2 Form of Total
1931	4,397,303	209,750	8,052,695	57.21
1933	4,310,619	233,663	7,175,141	63.33
1935	3,903,447	288,421	7,247,605	57.84
1937	2,949,544	343,396	6,615,343	49.78
1939	4,790,786	278,420	8,590,823	59.01
1941	4,688,991	402,405	9,502,991	53.58
1943	3,409,199	559,997	10,567,981	37.56
1945	5,386,486	611,486	11,830,198	50.70
1947	5,228,443	438,267	12,200,411	46.45

(1) Grains, fruits, vegetables, etc.

(2) Cattle, sheep, dressed meats, etc.

Dominion Bureau of Statistics

Summary of Monthly Railway
Traffic Reports

Table IV

Alberta - Farm Cash Income from the Sale of Farm Products
(Millions of Dollars)
Source; (Appendix 4 Royal Commission on Dom. Prov. Relations 1926-36
(Dominion Bureau of Statistics 1937-46)

	Grain, Seed and Hay	Veg. & other Field Crops	Live-stock	Dairy Products	Eggs & Wool	Misc.	Total
1926	114.12	.66	34.87	6.31	3.16	1.69	160.87
1927	126.56	.59	29.93	5.91	3.69	1.82	168.50
1928	165.24	..70	32.83	6.32	3.30	2.21	210.60
1929	120.10	.73	36.08	6.84	3.70	1.75	169.20
1930	55.45	1.14	25.46	6.27	3.11	1.80	92.23
1931	42.64	.98	16.89	5.34	1.68	1.91	69.44
1932	46.97	1.10	11.77	3.88	1.30	1.94	66.96
1933	43.66	.97	13.84	4.43	1.20	1.89	65.99
1934	60.25	1.30	22.22	5.36	1.52	1.73	92.38
1935	58.83	1.09	27.35	5.25	1.78	1.76	96.06
1936	48.38	1.70	30.79	6.23	2.04	1.64	90.78
1937	70.29	1.91	36.23	7.20	2.47	3.16	121.26
1938	87.57	1.75	29.51	7.95	2.15	3.33	132.26
1939	69.82	2.18	33.85	6.94	1.90	3.01	117.70
1940	64.36	2.09	44.40	7.58	2.12	3.19	123.74
1941							154.41
1942							168.89
1943							220.45
1944							343.50
1945							293.02
1946							289.07

(Subject to revision)

These income figures do not include relief, P.F.A.A., etc. merely receipts from sale of farm products.

TABLE No.5:

Mr. McFall

REVENUE FREIGHT CARRIED BY CANADIAN RAILWAYS 1931-1947

AGRICULTURAL IMPLEMENTS & VEHICLES (OTHER THAN AUTOS)

(Tons)

Received from Foreign Connections [x]Destined to Canadian Points

Year	Manitoba	Saskatchewan	Alberta	Total
1931	2,768	1,066	-	3,834
1932	1,760	438	11	2,009
1933	1,795	509	-	2,304
1934	2,108	984	-	3,092
1935	5,318	3,373	91	8,782
1936	7,686	7,232	-	14,918
1937	18,019	8,538	104	26,661
1938	23,365	12,790	17	36,172
1939	21,879	13,503	135	35,517
1940	29,991	18,159	76	48,226
1941	21,877	14,981	1173	38,031
1942	-	-	-	-
1943	14,688	13,552	530	28,770
1944	26,695	14,505	49	41,249
1945	26,751	15,316	114	42,181
1946	31,493	16,576	640	48,709
1947	41,248	27,134	896	69,278

Source: D.B.S.

Summary of Monthly Railway Traffic Reports.

[x]This traffic will originate at the international gateways, Noyes,Minn., Northgate, N.D., Portal,N.D., and Sweetgrass, Mont.

THE WITNESS: Railways and Agriculture. From the foregoing remarks it is evident that transportation is a matter of vital importance to the well being of agriculture in Alberta. This does not resolve itself into a question of movement of freight only but must include the cost of this service if Western farmers are to maintain their place in world markets and continue to produce.

It can also be said that the movement of Western freight is of equal importance to the financial returns of the railways. Table III shows that one-half or better of all revenue freight on a tonnage basis loaded in Alberta comes from agricultural and animal products. It is equally important to observe the uniformity of these shipments. They do not bear any relationship to the income of our farmers. As an example, during the year 1933 when farm revenue was at an extremely low level percentage loadings of agricultural freight from Alberta points was at an all time high for the period 1931 to 1947.

MR. FRAWLEY: Q. Looking at Table III, putting that percentage into the record, it appears to be 63.33 per cent -- is that right -- in 1933?

A. Yes, that is 63.33 per cent.

Q. Only in two years did it go below the 50 per cent mark. In 1937 it was 49.78 per cent, and in 1947 it was 46.45 per cent; is that right?

A. Three years below the 50 per cent.

Q. Oh, yes, in 1943 it went down to 37.56 per cent?

A. Yes.

This clearly illustrates an important characteristic of agricultural traffic viz. that its volume may

remain constant or even increase in the face of worsening economic conditions whereas the traffic in manufactured goods will show violent fluctuations. It should be unnecessary to point out how important the existence of the former type of traffic can be to the railways in periods of low business activity.

While we recognize the importance of economical transportation to agriculture, the fact cannot be overlooked that railways are vitally concerned in the volume of agricultural production as a source of revenue freight. The railways are equally interested in the traffic created by the goods the farmer must buy.

Table I shows that in the handling of farm machinery alone the Alberta farmer has become a much more valuable customer to the railways. These figures are probably indicative of the increased importance of the Alberta farmer as a purchaser of manufactured goods from both inside and outside the province.

Railways and the
Development of Canada

Ever since the first steel was laid on our transcontinental railways their purpose has been to unite the provinces of this Dominion and to allow for the development of new areas and industries. To encourage their construction the Government made large land grants and provided subsidies to assist the railway companies.

Alberta is the only province in Canada with large areas of undeveloped lands suitable for agriculture. These lands can only be developed if their products are able to compete in world markets. To this Northern section of

the province the level of rates is highly significant. The outbound rates must be such as to enable them to reach the market at not too great a disadvantage as compared to other more favourably situated Prairie producers. The inbound rates must be kept down to a reasonable level so that it will not be difficult to maintain essentially the same standards of living as in other parts of the West. Here in particular the tapering of rates is most important since it is a factor in the determination of the practical limits of agricultural settlement as well as of the standard of living in the newer areas.

The above considerations will explain our interest in questions of transportation rates and rate levels. Western rates were originally set at higher levels than in Eastern Canada. There have been steps taken toward bringing Western rates more closely into line with Eastern rates, but the final step is still to be taken. The recent 21 per cent horizontal increase widened existing differences in rates, and the possibility of further increases makes it more important than ever that all parts of the country be placed on an even footing. We submit that there should be an equalization of rates in general across Canada.

The effect of higher rates is most pronounced on international traffic entering Western Canada. This traffic includes the very considerable volume of farm equipment purchased by Western Farmers from plants in the Middle West.

THE CHAIRMAN: Q. The American Middle West?

A. Yes.

Our interest in these rates at this time is confined to those charged on the Canadian part of the haul. On this and all other class traffic moving across the international boundary the maximum standard class rates are charged. These rates are not used to any great extent on local movements in the Prairies, and we submit that their use on international traffic can no longer be found reasonable. At the very most the rates from the border should be no greater than distributing rates.

Another matter of interest to the Alberta farmer is the difference in mixing privileges whereby it is made more difficult to ship goods at carload rates to and within Western Canada than in Eastern Canada. This restriction bears most heavily on the smaller distributing centres and the farm population in their immediate territory. In this matter we would recommend that the mixing privileges be standardized throughout Canada on the basis of the present Eastern rule.

Rate grievances of a more specific nature will be presented in the subsidiary briefs accompanying the present submission. Representing as it does, through its federated organizations, a substantial part of the foremost industry in this province, the Alberta Federation of Agriculture closely identifies its interests with those of the Province as a whole. Our purpose in this submission is to make known to the Commission the main features of our situation and the importance which we attach to them. Into more detailed technical rate matters we have not attempted to enter, that undertaking being more properly left to our member organizations on the one hand and to

the Provincial Government on the other, with whose general aims in the investigation we are in agreement.

MR. FRAWLEY: Q. Mr. McFall, have you anything to add to your written submission?

A. No, sir.

Q. Then just answer the questions of counsel, please.

THE CHAIRMAN: Any questions, Mr. Covert?

MR. COVERT: Perhaps other provincial counsel have some questions.

MR. SHEPARD: No questions.

MR. MacPHERSON: No questions.

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. McFall, from the published report and the data that is available we can agree, I take it, that the farmers generally in Alberta have never been better off than they are today financially?

A. Possibly never better off, but it is a matter of comparison. We feel we have a long way to go.

THE CHAIRMAN: Q. A matter of what?

A. I say we feel that there is a long way to go. From the point of view of living conditions in our country, we cannot class them as being really prosperous.

Q. You would agree, I take it ---

A. A matter of degree.

Q. You would agree with what the Premier said, that at the present time there is unprecedented expansion and development taking place in your provincial economy here?

A. (No answer)

MR. O'DONNELL: Possibly, my lord, as a matter of convenience, and for the purpose of saving time ---

MR. FRAWLEY: Convenience, anyway.

MR. O'DONNELL: Convenience, yes -- we might have Mr. Frawley be good enough to provide the Commission with a copy of The Budget Speech of the Honourable Ernest. C. Manning, the Treasurer of the Province of Alberta, dated March 4, 1949.

MR. FRAWLEY: A couple of hundred copies?

MR. COVERT: Exhibit 20.

EXHIBIT NO. 20 -- Budget Speech of The Hon. Ernest C.Manning, Treasurer of the Province of Alberta, delivered on March 4th, 1949.

MR. O'DONNELL: Q. I take it you may have read this, Mr. McFall?

A. Not in its entirety, no.

MR. O'DONNELL: Well, the only part in which I have any interest so far as the agricultural situation is concerned is that part which is under the heading of "Agriculture" on the first page; and I think, my lord, it might save time if the reporter would just put on the record the first four paragraphs, which give the summary of the very healthy condition in which the farmer finds himself in Alberta today.

- - - -

(Excerpt from Budget Speech):

Preliminary estimates of the gross value of all agricultural products for the year 1948 indicate a total valuation of $545,000,000, an increase of $70,000,000 compared with the revised valuation for the previous year. The final revised figures for 1948 undoubtedly will show a substantial increase over the preliminary estimates.

The gross value of field crops increased from $310,000,000 to $320,000,000. The value of live stock marketed was $140,000,000, an increase of $49,000,000 over the previous year. Higher prices and the opening of the United States market to Canadian producers mainly were responsible for the increased number of live stock marketed and the increased valuation. Cattle numbering 532,000 and valued at $75,700,000 were sold during the year, an increase of 108,000 head over the number marketed last year. The number of swine marketed totalled 1,165,453 head, which realized approximately$54,275,000.

Dairy products valued at $56,117,000 showed an increase in value in excess of the previous year again mainly due to higher prices rather than increased production.

Poultry products estimated at $24,675,000 were some $3,500,000 in excess of the value last year. Production of honey during the year established a new record totalling over 9 million pounds, which was an increase of approximately 3,500,000 pounds as compared with the previous year. The estimated gross value of $545,000,000 for all agricultural products is the highest valuation recorded in the history of Alberta. The stability and general well-being of our basic industry is and will continue to be of the utmost importance to the economic life of our Province.

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MR. O'DONNELL: Q. You had higher sales of live stock last year than ever before, Mr. McFall?

A. Yes, I believe so.

Q. And your field crops increased in value?

A. That is right.

Q. Quite considerably; and your livestock, I have

already asked you about. Your dairy products were in excess of the previous year; your poultry estimates were up as well; your honey production jumped to a new record total of over 9,000,000 pounds; and the estimated gross value of $545,000,000 for all agricultural products is the highest valuation recorded in the history of Alberta. That you would agree with?

A. Yes, but we might point out that in some of those industries there is a definite recession at the present time.

Q. Oh, it varies a little bit, but the over-all dollar result is right there?

A. Some of them varying quite a bit, sir.

Q. Beg pardon?

A. Some of them are varying quite a bit right now.

Q. Yes, because the farmer may choose one year to handle hogs, and next year go into cattle or something else, but, in any event, the over-all dollar value is higher than it ever has been in the history of Alberta?

A. Last year.

(Page 1594 follows)

Q That is all I am interested in at the moment. I take it you have very up to date records? Your association follows matters very closely?

A We try to.

Q Would you be good enough to supply the Commission with much more up to date statistics than those on table 4? You can bring the statistics in table 4 up to date, can you not, from the records which are available to you?

A I imagine we could.

Q Would you be good enough to do that so that we may have an up to date picture rather than one that is ten or twelve years old, or twenty-two years old?

MR. FRAWLEY: Table 4 gives you 1946.

MR. O'DONNELL: Yes, but it stops in many cases at 1940. I am sure that their efficient up to date Association has the records the witness said he had. We will ask him to give us up to date information.

CROSS-EXAMINED by MR. EVANS

Q Would it be true to say that most of the wheat grown in Alberta moves to Pacific coast ports for export, or does it move east?

A That has varied, but I think in the past it mostly moved east of here.

THE CHAIRMAN: Q. Is that so?

A Yes.

MR. EVANS: Q. In recent years it has mostly moved east? You do not have much going to the Pacific coast?

A I do not know what the percentage is, but some

years there is more than others, depending on where the markets are, and so on.

Q It apparently has not been sufficient to impress you with the importance of the movement to the west coast?

A I have not gone into the movement.

Q There is one other thing. On page 6 you speak of the effect of higher rates in regard to the movement of farm equipment. Can you help me by giving me any idea of the volume of farm implements that are moved in from the United States to Alberta compared with the movements from the east?

A Here is a table that we have on revenue freight carried by the Canadian National Railways from 1931 to 1947, which includes agricultural implements and vehicles. The total in 1931 was 3,834 tons, and in 1947 it was 69,278 tons.

Q I am afraid I did not make myself clear. It is my fault. What I am trying to get from you is have you any breakdown between that which moves to you from United States points in the middle west and that which comes from eastern Canada?

A Oh, I am sorry, I did not go far enough here. This is received from foreign connections outside to Canadian points.

Q To all Canadian points?

A In Manitoba, Saskatchewan and Alberta, the three western provinces.

Q You cannot tell me about Alberta?

A Yes, Alberta is much smaller than the other two western provinces.

THE CHAIRMAN: Q. Much what?

A Smaller.

MR. EVANS: Q. What you mean there is that Alberta, in comparison to Saskatchewan and Manitoba, imports from the United States a relatively smaller proportion of these farm implements?

A As far as farm implements are concerned, unless it remains that those places like Winnipeg are distributing centres to the west. I would not know that.

Q I just wondered whether you could help us on that. You say a very considerable volume, and I wondered whether you had any figures. You have not any figures?

A I just have this total tonnage.

MR. EVANS: Thank you.

RE-EXAMINATION by Mr. FRAWLEY

Q To explain that, you told the Commissioners that the volume coming into Alberta was smaller than that coming into the other western provinces?

A Yes.

Q It is suggested to me that you were looking at the Sweetgrass gateway there, were you?

A This does not bring up the various gateways.

Q What I suggest to you is that much of the Alberta farm machinery coming in from the United States would enter at the Noyes gateway, the North gate or Portal in Manitoba and Saskatchewan as well as Sweetgrass in Alberta?

A This does not say where it enters.

THE CHAIRMAN: Q. Before we go any further, this table you have read is not a part of your brief?

A No, it is what I have.

Q Can we have this for the record?

A I can certainly get you copies.

MR. FRAWLEY: Will we add it to the brief or file it as an exhibit?

THE CHAIRMAN: As long as we have it.

MR. FRAWLEY: I suggest that it be handed to the reporter, and just be one more table in the brief. That might be the most convenient way.

THE WITNESS: I could attend to that for you if you wish from our office.

MR. FRAWLEY: You can get some more mimeographed copies.

MR. COVERT: That can be added to the brief as table 5.

MR. FRAWLEY: Would you show it as table 5, and then it will go into the brief as table 5.

THE CHAIRMAN: I understand you have to revise some of the figures in the other tables.

MR. FRAWLEY: Yes. I think the best way to do that is to bring in a new table.

MR. COVERT: There are a couple of questions that I want to ask.

CROSS-EXAMINATION by MR. COVERT

Q In the first paragraph on page 3 of your brief you stress the obvious importance of efficient low cost transportation service to agriculture. Do you think that it is too high now?

A Well, in relation to other sections it is out of

line.

Q When you say "low cost" do you mean low cost in the west or in Alberta? All I am trying to find out is areyou suggesting that there should be a special low rate for agricultural products?

A No.

Q You are not?

A No.

Q This links up with your suggestion that there should be equalization? Is that it?

A Yes.

Q On page 6 you deal with the question of equalization of rates in general across Canada. In any question of equalization do you consider the question of the grain rate as being a part of the question of equalization?

A I have not made any close study of our grain rates here, and whether that is out of line, considering the volume and uniformity, the long haul and the volume - I would not know whether that is unequal or not.

Q Do you think that should be taken into account in the question of equalization, in arriving at a general equalization of freight rates? I think that is your idea as between the west and the east. Is that right?

A Well, as I say, when you bring in your volume on that I do not know whether or not it should enter into that picture.

Q You represent a large group of people. I wonder what your views are on the settlement of the mixing problem?

THE CHAIRMAN: On what?

MR. COVERT: Settlement of the mixing problem.

Q As I understand it there are two distinct views on that matter. Wholesalers generally think that the western rules are o.k. as they stand. As a representative of the farmers I suppose you think the opposite? Is that right?

A Naturally if mixing, as I understand it, would allow us some saving to the smaller points, to our people, that is the stand we have to take.

THE CHAIRMAN: Q. In your brief you say:

"In this matter we would recommend that the mixing privileges be standardized throughout Canada on the basis ofthe present eastern rule."

A Yes.

MR. COVERT: Q. Did you hear the argument of Mr. Lewis in the Louis Petrie submission this morning?

A Yes.

Q Do you think there is anything in his argument?

A Well, I would not know from that end of it, I am sure.

Q You would not like to comment on it? He says, as I understand it, that that would really go toward eliminating the wholesaler who helps the little fellow because the larger retail stores would get full carload lots. Is that the way you understand it? Perhaps I could read it to you.

A It seems to me that if there is any saving in this mixing, which there should be by the mixing privilege, it would go back to maybe the retailer or smaller distributor and be reflected on to the consumer.

Q He says:

"Should eastern rules be adopted there would probably be a tendency for some large retailers to secure their requirements at a distance, perhaps from outside the province, making up carloads of groceries, hardware, dry goods and others. Without their larger customers, jobbers in the smaller points would not be able to give the same service to the much larger number of small dealers who could not possibly buy in carloads."

Is the wholesaler really providing a service to the small dealer which might be destroyed?

A I would not be prepared to go into the details of that, sir.

MR. COVERT: Thank you.

MR. FRAWLEY: That is all.

MR. COVERT: The next submission, Mr. Chairman, is that of the Alberta Dairymen's Association. It came in rather late, and it has been suggested that it might be taken as completely read into the record. I believe they have prepared a summary of it which Mr. Johnstone will read.

MR. FRAWLEY: As I understand it, it is one of the submissions with respect to which the Commission ruled that the full brief was not to be read into the record from the witness box, but that it would be incorporated into the record as though it had been read, and Mr. Johnstone will give the brief summary which has been prepared.

E. JOHNSTONE, Called

EXAMINED by MR. FRAWLEY:

Q. Mr. Johnstone, you live in Red Deer in this province?

A Yes.

Q And you are the Manager of the Central Alberta Dairy Pool?

A That is correct.

Q The business of that Co-operative is what?

A Dairy and poultry products.

Q You are engaged chiefly in the manufacture of dairy products?

A Yes, fluid milk, the manufacture of creamery butter, the manufacture of evaporated milk, and the processing and handling of eggs and poultry.

Q You have quite a large operation?

A Based on western standards we would call it a fairly large operation.

Q You are also a member of the Alberta Dairymen's Association Freight Rates Committee?

A Yes, I am.

Q I should like to read the names of the members into the record just to give an idea of the companies that are interested in this matter. The Alberta Dairymen's Association Freight Rates Committee consists of Mr. G. M. Carlyle, President, United Dairies Ltd., Calgary; Mr. R. Stanley, General Manager, Northern Alberta Dairy Pool Limited, Edmonton; Mr. M. Hamilton, General Manager Edmonton City Dairy Limited, Edmonton; and the witness, Mr. E. A. Johnstone, General Manager, Central Alberta

Dairy Pool, Red Deer, who is Chairman of the Committee. I offer the brief for incorporation in the record, and I will ask Mr. Johnstone to read the summary which he has prepared to be read in lieu of reading the brief itself.

A. Mr. Chairman, the summary that we have is right in the submission.

MR. O'DONNELL: Page 12 and following.

THE WITNESS: Yes.

MR. COVERT: Is that any different from this?

MR. FRAWLEY: Apparently what Mr. Johnstone has done is to copy the summary from the brief itself.

THE CHAIRMAN: This summary contains recommendations, does it not?

THE WITNESS: Yes.

MR. COVERT: All I want to find out is whether or not the typewritten summary which you gave me is any different.

MR. FRAWLEY: Apparently it is word for word with the other document . This document is not paged, but the last three pages of the written brief have been typed out, and we have that today as the summary.

MR. COVERT: In that case I should like to suggest for the benefit of the reporter that the full brief be put into the record, but that there is not much point in having this part in twice.

MR. FRAWLEY: I cannot disagree with that.

MR. O'DONNELL: Why not read the last three pages of the brief, which would be much easier reading than this other document?

THE CHAIRMAN: That is quite right. I think it

would be useful to read the summary now because it contains recommendations, and since it is right in the brief I do not see why we should not follow the brief.

MR. FRAWLEY: Q. Mr. Johnstone, will you commence reading on page 12?

A If I may I should like to preface that with one paragraph from page 3. I refer to the third paragraph, which is at the top of the page. It reads:

> "Therefore, today we are here, not as an opponent to the railways of Canada, but as an industry, and one of our province's larger ones, anxious to subscribe what we can. What we have pleasure in submitting is our considered opinion on railway transportation in Canada under the present policies of established freight rates and as we know them to apply to the dairy industry of Alberta."

(The following is the full brief)

ALBERTA DAIRYMEN'S ASSOCIATION

Privy Council Order No. 6033 of the 29th December, 1948, reads as follows:

(See Pages 2, 3, 4, of Volume 1 of Transcript of Evidence)

TO MEMBERS OF THE ROYAL COMMISSION:

Mr. Chairman and Commissioners: -

The Dairy Industry of Alberta welcomes the opportunity of appearing before you today. We have previously appeared at two recent hearings of the Board of Transport Commissioners, first, on their hearing of argument and/or evidence and opinion on the request of the railways for an overall 30% increase in freight rates, and on the second occasion, at the hearing of argument and/or evidence and opinion on the present justness of the "Mountain Differential."

In order that our position then and at this time be made abundantly clear, may we quote our overall opinion expressed in our previous submission.

In the 30% case, as it is known, we quote from the beginning of our submission:

> "We recognize the fact that railway systems of Canada have contributed much to the development of the country, will continue to play an important part in the building of a great Dominion.
>
> In order that the railways may continue to provide the necessary transportation services in an efficient manner, it is admitted that sufficient revenue must be provided to enable them to meet obligations incurred in such service. However, we are convinced that the higher freight costs will be an adverse and lasting deterrent to the normal development of our Province, and its industries."

And in this same submission, we concluded as follows:

"Throughout the years Alberta, and likewise the Dairy Industry in our Province, has paid high freight rates in comparison to other parts of Canada. It has paid its proportionate share of the monies which went to subsidize feed grains going East and the expense to the Government of lower freight rates in the Maritime Provinces. It is our very considered opinion we have done and given more than our share. We must, therefore, at this time very frankly give you our convictions on the problem.

Our Dairy Industrywishes to register here the strongest protest within its power at the exorbitant, unfair and discriminatory freight rate schedules in effect at the present time. They also just as strongly protest the proposed imposition of the straight 30% increase in such schedules. They consider that the requested straight percentage increase in freight rates as a very unfair remedy to the present alleged inadequacies of the railways' revenues.

If and when all angles of their application have been carefully canvassed; the unfairness in present freight rates eliminated; everything possibly done to effect savings to increase net revenues; we then would accept an all over Canada increase in rates compatible to our own stable economy, the public good and an efficient railway service."

Whilst it is true we have protested against increases, it was only done as we felt the method of application was unfair and that there were other important considerations. At the same time, we realized and also admitted that the

railways cannot successfully operate without sufficient revenues.

Therefore, today we are here, not as an opponent to the railways of Canada, but as an industry, and one of our Province's larger ones, anxious to subscribe what we can. What we have pleasure in submitting is our considered opinion on railway transportation in Canada under the present policies of established freight rates and as we know them to apply to the Dairy Industry of Alberta.

IMPORTANCE OF DAIRYING TO OUR PROVINCE

According to Provincial statistics, our gross agricultural production for 1948 was $545,299,000.00. This represents the cash value of:

Field crops	$320,166,000.00
Livestock production (not dairy)	140,342,000.00
Poultry	24,675,000.00
Honey, wool and fur farming	4,099,000.00
Dairy products (not including the carcass value)	56,117,000.00

On the matter of cash value, the Dairy Industry is third ranking and even ranks closer to the top when man hours per dollar of production are considered.

During 1948, over 70,000 farms scattered throughout our province produced 1,672,115,000 lbs. of milk. This is approximately 10½% of the overall Canadian production. A good percentage of this milk is manufactured into production for export. This surplus is exported mainly in the form of creamery butter. Our markets being British Columbia, Ontario and Quebec, the Maritimes and Manitoba, listed in approximate order of size. Other products, such as cheese, evaporated milk and ice cream, are manufactured in quantity. Ice cream is not largely exported, but a reasonable percentage of our cheese production and evaporated milk finds markets outside our Province.

In addition to the export movements, there is a large movement of these products within the province.

The following table sets forth the utilization of milk in Alberta during 1948:

45.4% - creamery butter
26.8% - consumed in fluid form
13.8% - farm dairy butter
8.7% - fed to farm animals
1.8% - cheese
1.6% - ice cream
1.9% - evaporated milk and miscellaneous.

Our production, concentrated to its most saleable forms for outside use, reduces the gross production poundage to 40,823,000 pounds. Of this, approximately 60% is exported out of the province. Inasmuch as this production takes high freight rates, its movement is important to the railways.

The average size of dairy herd is only five cows, and it is estimated that over 60,000 farms produce cream for sale to the 91 creameries located throughout Alberta, from Peace River in the north to Cardston in the south.

The milk from these herds is separated on the farm, the skim milk being used for feeding livestock. Cream testing about 35% butterfat is shipped on the average about twice a week, usually to the closest factory.

An extensive survey of cream deliveries in 1941 indicated that 42% was moved by truck, 15% by rail, and the remainder was delivered locally by the farmer.

The creameries grade and pasteurize this cream before manufacturing it into creamery butter. A small percentage of this butter is sold locally, while the remainder is refrigerated and shipped either directly to an export market or to a central point where it is assembled in car lots for shipment to outside markets.

To manufacture the other products, whole milk is delivered to the factories. The cost of collecting the milk is high, as road conditions and distances are opposed to the economic transportation of a product which contains 87 percent water. Approximately 10,000 farms produce milk for other products than butter.

All of the machinery for processing, manufacturing and transporting these dairy products is manufactured in eastern Canada or the U.S.A. This equipment is subject to high freight costs and in turn affects the price that can be paid to the producer for his raw product.

Alberta must expand its dairy production if only to properly utilize the hay and legume crops essential to a sound soil conservation policy. For the same reason, dairying will play a very important part in the development of the eleven million acres of uncultivated grey-wooded soils, there being over 14,000,000 acres of arable grey-wooded soils in our province. The grey-wooded soils represent 44% of all arable land in Alberta. Dairying is indispensable to the development of these, as well as all other areas of our province.

Then our industry also receives a great quantity of supplies much of it coming from other provinces and with the majority coming in from Central or Eastern Canada. The rates applicable to those goods coming in, are even higher than on goods going out.

When all features are considered, it is evident that our Dairy Industry is a very large industry and by and large one which depends on rail movements for the moving of its surplus production to market and its supplies coming in.

May we conclude this section on the importance of the Dairy Industry by quoting a portion of a recent statement by

the Hon.Jas.G. Gardiner, Canadian Minister of Agriculture. We quote:

> "Contrary to popular opinion, there are more agriculturalists engaged in dairy farming than in whest farming. Some 200,000 farmers were engaged in wheat growing while 450,000 contributed to the total dairy output."

We believe the above touches the highlights of our industry and gives you many convincing facts which support our view that the dairy industry is a very important one to our province, and that a large percentage of Alberta's dairy production has to find an outside market by means of transportation.

Representing one of our province's major industries, in itself no doubt warrants our presence here today. There are, however, other reasons. First, we are here because we felt you would welcome our opinion. Then we thought you would like to know the various rail rates that affect our industry, favorably or unfavorably. Also, who are our competitors in our domestic and export markets.

Briefly put, may we say again we are pleased to be here. We are pleased at the appointment of this commission, and we trust that what we have already said and will say can be a useful opinion to the work of your commission.

TRANSPORTATION PROBLEMS THAT AFFECT US:

.1. Local Rates -- Short Haul.

Our industry pays more for railway transportation services than in other areas with which we compete. Much of our supplies move in at 2nd to 5th class, and the major part of our movements is in the same rate range. The following are the rates for a very nominal distance in the various freight rate zones in Canada:

MARITIMES

Moncton,N.B.,to Beresford,N.B.130.3 miles.Tariff C.N.R.C.19-1

1st class	2nd class	3rd class	4th class	5th class
61	53	46	38	30

CENTRAL CANADA for comparable distance:

1st class	2nd class	3rd class	4th class	5th class
74	65	57	45	37

PRAIRIE TERRITORY:

Edmonton to Eckville,Alberta,134.2 miles.Tariff C.N.R.235-C

1st class	2nd class	3rd class	4th class	5th class
87	75	58	46	40

PACIFIC TERRITORY

Vancouver to Boston Bar, B.C. 131.8 miles. Tariff C.N.R. W. 200-G.

1st class	2nd class	3rd class	4th class	5th class
98	82	65	47	44

The above comparisons are on a basis of the Town tariffs or distributing tariffs. It is recognized that in some cases lower rates are published in the various competitive tariffs, particularly on l.c.l.merchandise. However, the incidences of such reduced rates are much more common in Central Canada than on the prairies. With a few exceptions, commodity rates in Eastern Canada are lower than in Alberta.

As butter is our big movement, we will take time and quote some rates dealing specifically with this product. The following is a --

(See next page)

COMPARISON OF REGIONAL RATES ON BUTTER ACROSS CANADA

FROM HALIFAX N.S. TO:	Miles	c/1 Rate in Cents
Brookfield, N.S.	47.9	31
Hopewell, N.S.	98.9	40
Troy, N.S.	197.2	52
Red Pine, N.S.	299.3	61
Mill Stream, Que.	393.3	69
St.Anthanase,Que.	495.4	73

Tariffs: C.N.R.No.D.25,CTC No.E.1780
No.C.19-1 CTC No.E 3901

FROM MONTREAL, QUE. To:		
St.Benoit, Que	50	33
Jessop, Ont.	100	50
Caldwell, Ont.	199	64
Camplecroft,Ont.	295	72
Glanford,Ont.	400	85
Parkhead,Ont.	500	99

Tariffs: C.N.R.No.C.39,CTC No.E 1539
No.D.25,CTC No.E.1780

FROM FORT WILLIAM, ONT. TO:		
Raith, Ont.	53	28
Nilblock,Ont.	96	46
Wabigoon	197.7	71
Keewatin, Ont.	296.5	87
Hazelridge	399.9	102
Macgregor, Man.	496.9	120

Tariffs c.p.r. No.100-A, CTC No.W.3826
No.175-A CTC No.W.3858

TO CALGARY, ALTA, From:		
Cayley, Alta.	47.9	33
Granum, Alta.	92.1	47
Coutts, Alta.	192.8	71
Arrowhead, B.C.	289.7	87
Proctor, B.C.	394.5	109
Wallace, Sask.	496	126

Tariffs: C.P.R. No. CPR No. W. 100-A No. W. 3826
C.P.R. No. 490-B, CTC No. W. 3903

The above comparisons are indicative of the disadvantages and extra cost imposed on our industry.

2. Inter-Community Rates

In Eastern Canada the Dairy Industry has the benefit of the Town tariff over the ten classes. Goods may move either way at similar rates and at practical rates. We do have some rates called Distributing rates, but they are in all cases a one-way tariff, that is, outward from the distributing centre, and the same rate does not always apply on reverse traffic. For example:

Winnipeg to Red Deer, 838.7 miles, 1st Class - 2.65 per cwt.
Red Deer to Winnipeg, 838.7 miles, 1st class - 3.16 per cwt.
Edmonton to Grande Prairie, 419 miles, 1st class - 1.66 per cwt.
Grande Prairie to Edmonton, 419 miles, 1st class - 1.96 per cwt.

While it is true that this condition has been alleviated to some extent on l.c.l.freight rated 4th class and higher by the publishing of competitive tariffs (CP W 515-C; C.N.R. W.691; CPR W 629-D and CNR W 680-E) recent increases in competitive rates have decreased the effectiveness of CP W 515-C and CNR W 691, and the latter two named tariffs are effective only up to a distance of 400 miles. Many of our movements of LCL freight in this province are considerably in excess of that distance. No similar competitive tariffs are published by the Northern Alberta Railways.

A study of the various railway tariffs reveals many other similar samples. On the other hand, if we in Alberta had the advantages of the town tariffs, the rates would be equal both ways in all cases and the obvious would be a rate comparable to those in the town tariffs and to be in effect on traffic moving either way between any two points.

3. Transcontinental Rates:

In the application of rates between Eastern Canada and Western Canada, our industry is at a disadvantage in at least two ways:

(a) ON THE RATE ITSELF:

The cost of moving a product to market is a deduction to the grower. When such costs are in fair relation to other sections of Canada competing for the same market, there may be no complaint. However, it is detrimental to our industry where such costs are in disharmony. Other Prairie Provinces are our competitors in the Eastern Dairy market.

Winnipeg to Montreal, 1323.2 miles 5th class - 1.38 per cwt.
Red Deer to Montreal, 2192.5 miles, 5th class - 2.46 per cwt.

Ordinarily, with a longer haul there would be some tapering on rates per mile. In this case, while Winnipeg to Montreal is 60.4% of the distance of Red Deer to Montreal, the rate from Winnipeg to Montreal is only 56.10%. Alberta is at a disadvantage.

To put it another way, under the system where rates are tapered for distance, the ton mile earnings should be less for longer distances than for shorter distances. However, on the basis of the above rates, while the rate from Montreal to Red Deer produces ton mile earnings of 2.24¢ the rate for the much shorter distance to Winnipeg produces ton mile earnings of only 2.09¢.

Similar comparisons could be made to other Alberta points.

(B) ON ITS METHOD OF APPLICATION:

Take a shipment of butter C/L
Red Deer, Alta., to Sudbury,Ont. 1819.9 miles, 3rd Class - 3.78 per cwt.
Calgary, Alta, to Sudbury,Ont., 1794.0 miles, 3rd class - 3.67 per cwt.
Edmonton, Alta., to Sudbury,Ont., 1726.5 miles, 3rd class - 3.67 per cwt.

Now take the same car to Montreal:
From Red Deer, 2192.5 miles, 3rd class - 3.78
From Calgary, 2219.4 miles, 3rd class - 3.67
From Edmonton, 2147.2 miles, 3rd class - 3.67
Maximum difference in mileage in East is 373.6 miles, yet no difference in freight rate. Where goods move to Eastern Canada, practically any point of destination between Sudbury

and Quebec City gets the same rate on the car of butter. However, no such privilege is available to Alberta. We have approximately 75 points of manufacture of butter in Alberta and practically every one is within the mileage range as above, namely 373.6 miles, yet we have a multitude of different rates. Eastern outside communities on trans-continental movement enjoy the same rate to Alberta, but outside points in Alberta are not grouped in the same manner for shipments to Eastern Canada. This rating privilege should be made available to interested Alberta points.

4. The Long and Short Haul Clause of the Railway.Act.

ACT - Sub-section 5, Section 314, Railway Act, 1919:

> "The Board shall not approve or allow any toll which for a like description of goods or for passengers carried under substantially similar circumstances, and conditions in the same direction over the same line or route is greater for a shorter than for a longer distance, within which such shorter distance is included, unless the Board is satisfied that, owing to competition it is expedient to allow such a toll."

A too liberal interpretation of this clause allows one section of our province to have an advantage to a market over another. For instance, on movements of butter to another province, we have the following situation:

Calgary to Vancouver, 641.6 miles, C/L rate - 1.66

Edmonton to Vancouver, 765.0 miles, C/L rate - 1.66

Red Deer to Vancouver, 734.0 miles C/L rate - 1.89,

Alix to Vancouver, 781.5 miles, C/L rate - 1.75

Bluffton to Vancouver, 792.8 miles, C/L rate - 1.91

Cochrane to Vancouver, 618.7 miles, C/L rate- 1.89.

Wetaskiwin to Vancouver, 793.5 miles, C/L rate, 1.89

Innisfail to Vancouver, 718.0 miles, C/L rate - 1.89.

For the most part, production in any of these areas within this mileage range compete in same market. Further, many times the movement from Calgary or Edmonton, which are at the extreme south and north, respectively, the shipment from these points to the west coast will pass through several of the above mentioned intermediate points. It is our opinion this clause should be changed to establish equality between such points.

5. Rates Permitted by Waterborne or Potential Waterborne Competition:

We would hardly feel like demanding that the railways could not meet waterborne competition. However, we do suggest that in granting such rates, they be provem as sufficient to cover cost of the movement. In 1939 and later, canned goods moved up to a distance of 2877 miles or more across Canada at a rate of 75 cents a cwt. yet the canned goods rate from Calgary to Vancouver, 641 miles, was 98 cents. Now, if the railways can move canned goods for 2877 miles or more at a rate of 75 cents, is it not obvious that a rate of 98¢a cwt. for 641 miles is excessive, or if the 98 cent rate for 641 miles is considerdd fair, then very definitely it will cost the railways more than 75 cents a cwt. to move the same class of goods nearly 3000 miles. As we understand it, although the 75 cent rate has now been revised, we have seen nothing that indicates it would not be possible for the railways to reinstitute similar unequal rates once again.

Rate conditions such as the above give an unfair advantage to other parts of our country, all competing in the same market or markets.

6. Export Rates for Our Dairy Products.

The Alberta Dairy Industry requires export rates. This was particularly true of the prewar and early war years and is again evident.

On dairy products -- canned goods -- eastern Canada on fairly low minimums previously had a summer rate of 32½ cents for 32,000 pound car for 438 miles, and in the winter, 37½ cents on 36,000 pound car for 930 miles. In addition, most of the wharfage and handling charges at point of ship loading were included in these rates. The lowest rate Alberta could get was 60 cents a cwt. on high minimum cars, restricted as to destination, and all shipside handling charges extra, which added approximately 14 cents to the rate or to approximately 74 cents a cwt. for 735 miles or less, as against 37½ cents per cwt. for over 900 miles. The railways pointed out that perhaps the eastern rate was to meet truck competition. There were no trucks to the west out of Alberta, so no competitive rate. This treatment given our export goods is representative of what happened or could happen to other requests from the Alberta dairy industry for a competitive export rate.

7. Rates Set By Agreed Charges:

These rates are important to our dairy industry. As we understand it, "rates by agreement" were originally set up to allow the railways to get all the business. Likewise, such a rate could originally be given, without visible rate competition. Actually, however, in our own experience, rates by agreed charges are only available when railways are forced to it by competition. We suggest a plan of operations following as we understand the original design would be more fair and of more benefit to our industry.

8. Mixing Privileges:

On the matter of privileges on mixing, it appears that there is a different set of regulations in the west than is applicable in the east. For instance, in Rule 10 this privilege is divided into two sections. Section 1 is applicable between points east of Port Arthur and east of Armstrong, Ontario. It reads:

"Unless otherwise provided, when a number of different articles, for which carload ratings are provided, are shipped at one time by one consignor to one consignee and destination, in a carload (see Rule 9) they will be charged at the C.L. rate applicable to the highest classed or rated article, and the carload minimum weight will be the highest provided for any of the articles in the carload. (Subject also to Paragraphs 'B; and 'C' of Section 2)."

Section 2 of this Rule is applicable between points west of Port Arthur and west of Armstrong,Ontario, and from points east thereof to Port Arthur and Armstrong, Ontario, and points west thereof and vice versa. (See exceptions.)

"Paragraph (a). Unless otherwise provided, articles under different DISTINCTIVE HEADINGS (see Note) or Articles that are not classified under DISTINCTIVE HEADINGS will not be taken in mixed carloads at carload rates. When a number of different articles under one DISTINCTIVE HEADING, for which carload ratings are provided, are shipped at one time by one consignor to one consignee and destination, in a carload (see Rule 9), they will be charged at the rate applicable to the article taking the highest carload rate and the carload minimum weight will be the highest provided for any of the articles in the carload.

"Paragraph (b). Subject to the conditions of Section 1 and Paragraph (a), Section 2, when the aggregate charge upon the entire shipment is made lower by considering the articles as if they were divided into two or more separate carloads, the charges on each separate carload will be based upon the carload rate applicable to the highest classed or rated article therein and the highest carload minimum weight provided for any of the articles therein.

Paragraph (c). Subject to the conditions of Section 1 and Paragraph (a), Section 2, when the aggregate charge upon the entire shipment is less on basis of carload rate and minimum carload weight (actual or authorized estimated weight to be charged for if in excess of the minimum weight) for one or more of the articles and on basis of actual or authorized estimated weight at less than carload rate or rates for the other article or articles, the shipment will be charged for accordingly.

Note: The distinctive headings referred to in Paragraph (a), Section 2, are shown in capital letters, as AGRICULTURAL IMPLEMENTS", "GROCERIES", "HARDWARE", etc. Rule 10 will not apply upon shipments of livestock. Rule 10 will not apply to carload shipments moving at commodity rates, except where commodity tariffs otherwise provide."

It will be noted that mixing privileges in the west are considerably more restrictedd than in the east. Less restricted mixing privileges in the west, besides further assisting our industry, might also have a beneficial effect in that more tonnage might move at car lots than is the case at the present time.

SUMMARY OF OUR OPINIONS:

Could we briefly summarize our points.

(A) A UNIFORM BASIS FOR RATE-MAKING:

We believe there should be a uniform basis of constructing rates from, to and between all sections of Canada. At the present time rates in Central Canada are lower than in the West, which includes Alberta. The rates in the Maritimes are still lower, chiefly we believe by reason of the 20% subvention. Most ton mileage rates, even to Winnipeg, are lower than further west. These variations are, in our opinion, no longer justified. Freight rate making has been a difficult job and possibly particularly so as the country was developing and new sections were added. We may be wrong, but our conception of the whole project is, that rates started in Central Canada. Later new sections were added, and as added, new rates were made and made higher than in older parts of Canada. We have a recent sample of it right here in Alberta. Rates out of Edmonton on the Lac La Biche and Waterways Sub-Division of the N.A.R., were a good deal higher than similar rates in the more settled parts of our province.

Early in 1947 the Board of Transport Commissioners, after hearings in Edmonton, found that higher rates were not justified and issued an order that such rates be reduced to bring them into line with the other rates in the Prairie Provinces. A further example is the more recent decision of the Board of Transport Commissioners in the "Mountain Differential Case" in which the Board ordered rates to, from and between points in British Columbia reduced to the same basis as Prairie rates.

Every section of Canada is now considered an integral

part of the whole and valuable to Canada's welfare. Therefore, we feel a uniform freight rate basis should be adopted. In any case, rates here in Alberta should not be higher than in central Canada.

(B) THAT THE PRINCIPLE OF THE TOWN TARIFF AS USED IN CENTRAL CANADA BE MADE AVAILABLE IN ALBERTA, AS OUTLINED IN SECTION 2, page 7.

(C) ZONE RATES TO OTHER ZONES

At the present time to our knowledge there are three zones in Canada where several points in each zone has the same freight rate to or from. In Central Canada this zone extends over 400 miles on shipments to or from western Canada. On the West Coast there is a zone on many products, extending from New Westminster to Victoria on Vancouver Island, a distance of approximately 100 miles, on shipments to the Prairie Provinces.

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Then there is a zone in the Kootenays from Boundary Falls, B.C., to Proctor, B.C., in which rates to all stations from Vancouver are equalized, Boundary Falls being 391 miles and Proctor 532.8 miles from Vancouver. On the movement of manufactured products, such as dairy products, and these movements are from one province to another, we suggest there are advantages in the above plan.

(D) ON TRANSCONTINENTAL RATES

That these rates be made effective on a two-way basis and at same rate either way.

That a uniform basis of constructing these rates be adopted.

That, as the distance increases a uniform tapering of rate tolls be instituted.

That, for very exceptional cases, the rate for a shorter haul cannot be greater for the longer haul.

That the principle of constructive mileages presently in effect in the Terminal Class Tariffs from the Lakehead and Pacific Coast terminals to Western Canada be retained, but that the allowance beyond Winnipeg from Fort William, Ont., and Glacier, B.C., from Vancouver be on a percentage basis of any rate affected. In other words, mileage from Fort William to Winnipeg is 419.2 miles, and for the purpose of rate making, only a mileage of 290 is used. This allowance be set up on a percentage basis, and if applied on traffic to Winnipeg from the Lakehead and East, that Alberta traffic get this allowance on their rates affected on the same percentage basis.

And further, right now, as it concerns the dairy industry,

HH

most special rates are for east to west traffic. Actually, it will be more fair to us to have this reversed.

(E) ON WATERBORNE COMPETITIVE RATES

Any such rate should be established as a compensatory rate, and that such rates be not lower than is necessary to meet effective competition.

Further, that the intermediate points have a rate not higher than to the more distant point.

(F) EXPORT RATES

Should be permitted on a basis of necessity, rather than just because of our competing modes of transportation. We understand the American railways are more liberal in their views on export rates.

(G) ON AGREED CHARGES

It should not be necessary to establish actual rate competition in order that a point or points get an agreed charge rate.

(H) SUBVENTIONS

Our industry is not too sure as to what might be best. We feel, however, that as the railways which are built do bind our country together, and same is necessary; therefore, it might be considered as practical to do for the west as has been done for the Maritimes, namely, subsidize the railways for such time as this may be necessary. When western population is further increased, such subsidy at that time may not be necessary. We are of the opinion that a program such as the Maritimes' 20% subvention may in certain cases be wise and justified. And, further, that it be made available to another part of Canada where conditions are similar.

(I) MIXING PRIVILEGES

That rule 10, section 2, of the Canadian Freight Classifications, be removed and that section 1 of that rule be applied to all of Canada.

(J) This is not a recommendation, rather it is an observation. It refers to rate-making and cost of operations. At the present time many of the rates permitted are subject to permission by the Board of Transport Commissioners. At the same time, the Board has no jurisdiction over the largest single operating expense item of the railways, namely, wages. We can see that the decision of some board on wage cost could be made that might create an almost impossible situation for the railways and Board of Transport Commissioners. Perhaps the subject matter of this item will be more pertinently referred to by some other submissions.

And now may we again thank you for your patience. We hope our submission may be found useful.

Submitted on behalf of our industry by its special committee set up for this duty.

MR. NOLAN: Thank you, Mr. Johnstone. Will you just answer the questions of counsel.

CROSS EXAMINATION BY MR. EVANS

MR. EVANS: Q. At the top of page 8; I am going back to your summary, because I have quite a few markings on my copy. Would you indicate to me, in connection with that discussion of town tariffs, the difference between town tariffs and distributing class rates? Would you tell me of any substantial movement of traffic inbound from a distributing point that is not covered by distributing class

rates published as commodity rates? You know what I mean?

A. Which page is that?

Q. The top of page 8, just before you come to transcontinental rates.

A. Oh, yes.

Q. Was that question too involved for you, or should I put it more simply? You understand there are certain cases where there are published commodity rates, distributing class rate basis inbound to distributing points and other points, whether they involve a distributing point or not in the west?

A. Yes.

Q. Could you tell me: You say you would have a tremendous advantage if you had these rates both ways. Could you tell me any specific movement inbound that is not covered by those special commodity rates on the distributing class basis?

A. Did I say "advantages would be very great", in that as you indicated?

Q. You say:

"A study of the various railway tariffs reveals many other similar samples. On the other hand, if we in Alberta had the advantages of the town tariffs, the rates would be equal both ways in all cases and the obvious would be a rate comparable to those in the town tariffs and to be in effect on traffic moving either way between any two points."

I was wondering whether you include on any inbound movements the distributing points that do not get the benefit of distributing class rates?

THE CHAIRMAN: What do you mean by "inbound."

MR. EVANS: Much of the complaint was as to the difference between the east and the west turning on the fact that distributing class rates in the west do not apply inbound to distributing points.

THE CHAIRMAN: That is, from the point outside to the distributing point?

MR. EVANS: Yes, Mr. Chairman; and you will recall the evidence given or the statement made, that rates were published as commodity rates on a distributing class basis inbound, and none of the witnesses knew that that was true.

THE CHAIRMAN: That would be with a preferential rate operating in both directions.

MR. EVANS: In effect, it does. I wonder if the witness knows of the carriage inbound not covered by those rates?

THE WITNESS: It is large enough to be of importance to our particular industry. Our plants are located at 100 different points in the province, widely separated. Each of those points feels, as a manufacturing point, it should have similar privileges as they have in the town tariffs in central Canada, and that the goods may move from one place to another, or back, at an equal rate applied over the ten classes, as it is done in the town tariffs.

Q. The distributing class tariffs apply to all points on the first four classes?

A. Up to four, it does, yes, but not above four. It does not go above 400 miles, and some of our movements

are above 400 miles.

Q. Always distributing points?

A. Always to points which would be points of manufacture, in this case, instead of, possibly, points of distribution.

Q. You think the distributing class rates should not be related to distributing points at all?

A. No. We were anxious to have the principle applied here which is in the town tariffs in central Canada.

Q. They have town tariff points in Central Canada?

A. The points at which our plants are located, we consider, are in relation to certain larger centres in eastern Canada in number, and we would like to have the benefits of the town tariff principles applied to our points out here.

Q. You want all distributing class rates applied between all points, and you would not care whether the town tariff rates in the east applied also between all points?

A. It is the feeling of our industry that it does not cost any more to move goods in the west than in central Canada and that we should have the advantages of the town tariff rate. Our points of manufacture are distant over 600 miles from one side to the other, and we hoped that in so far as it is practical, that the principle they have in eastern or central Canada would be applied to those points for the movement of goods to and from, and for interchanging of goods in between those points.

Q. But which are you asking for here? Are you asking for these rates between all points or between town tariff points and distributing points?

A. We are asking it for between the points of our manufacture, which is what this industry represents, 100 points in the province.

Q. How many points do you want?

A. 100, to go to all the principal towns in Alberta.

Q. That is what you want?

A. Yes.

Q. Now, in the next group you are dealing with transcontinental rates, and you speak of movements from Winnipeg to Montreal at the fifth class, $1.38, and from Red Deer to Montreal, fifth class, $2.46. What do you mean by "between Red Deer and Montreal at the fifth class rate"?

A. Well, at certain times of the year we might move canned goods.

Q. Oh, you are not the dairy man?

A. Yes. We have an evaporated milk plant which is interested in the fifth class.

Q. And it is because of that example, that you say Alberta is at a disadvantage as compared to Winnipeg?

A. Yes, it is. And I could go further. In 1939 to 1940, I believe, up to 1942, we felt we would like to have the same privilege as eastern Canada in the movement of our goods right across Canada at 75 cents.

Q. You are not talking about Red Deer to Montreal?

A. Yes; Montreal would be in that same zone down there; the rates would be the same to all points from Red Deer.

Q. What are you talking about, a 75 cents rate?

A. I interchanged that because that is comparable;

it was, in my opinion, a comparable example. You are talking about this 1.38 cent rate; and the 2.46 which I gave you, as a further example of the 75 cent rate.

Q. You were talking about a transcontinental rate from Montreal to Vancouver?

A. Yes, hoping that that rate would be applied to shorter distances.

Q. I was considering this disadvantage as compared to Winnipeg; is it so that that so-called disadvantage arises from this constructive mileage?

A. I would not think that the constructive mileage would make all this difference.

Q. I would not think that it would.

A. I cannot say, but I would not say that it does.

Q. Coming down to item B on the method of application, you say there are the rates, at the third class, Red Deer to Sudbury, Calgary to Sudbury, and from Edmonton to Sudbury - and you give rates further down the page from the same points to Montreal, and you say that the traffic to Sudbury takes the same rate as the traffic to Montreal?

A. Yes.

Q. Then you say that still there is no difference in the freight rates after pointing out the difference in the mileage. Is it your contention that that is wrong?

A. No. I think the point of that was that if you grant the same freight rate to a large number of points inEastern Canada, then, on a reverse movement, vice versa, you should grant the same privilege to a large number of points in Alberta.

Q. You knew that there was some sort of blanket applied

east and west?

A. It is; but we have not got a zone in Alberta from which we can ship from any point to any point in Alberta and have the same rate. But take Red Deer and Edmonton. The mileage is very similar, but we have a higher rate at Red Deer than at Edmonton, although the mileage is only 40 to 50 miles difference; whereas in the east, you can have up to 400 miles difference, and the same rate would apply.

Q. You do not object to the blanket, as such?

A. No, we do not object; but what you have in the east - we would like to have the same principle applied in the west.

Q. You knew it would apply on the canned goods, the 1.53?

A. I did not know of a 1.53 rate.

Q. Isn't there a rate on canned goods, I think, from Vancouver to all points between Saskatoon and Winnipeg?

A. That is the 60,000 pound rate; it was 1.26; and then, that would make about 1.53.

Q. There is a blanket out west, is there not?

A. Not in Alberta, because we tried to get the 60,000 pound rate, and you would not give it to us out of Red Deer.

Q. But out of Vancouver eastbound it blankets Saskatoon to Winnipeg; the theory of blanketing is present there, too?

A. It is there and favorable to Vancouver shipping but it does not really favor the Red Deer shipper.

MR. FRAWLEY: Q. That is the longer and shorter

haul application?

A. It is a 60,000 pound rate.

MR. EVANS: Q. That is a 60,000 pound one, that 1.53?

A. There is also a blanket on the 40,000 pounds.

Q. Minimum of 1.72. You like the idea of blanket rates?

A. We feel that on a transcontinental movement, perhaps, we think that, inasmuch as it has been applied in eastern Canada, we would like to have it applied in western Canada and in Alberta particularly.

Q. But you won't give the theory your blessing?

A. I am not giving it, apparently, because I cannot make myself understood. But you have a large zone in eastern Canada in which any point in that zone can ship to the west and get the same rate. We would like to see a variation of 100 to 200 miles, so that we could ship to any point in the east on the same basis, and we would like to see you extend the privilege which you have in the east to us in Alberta.

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Q. I have had my attention drawn to some errors in rates, in your summary; at the top of page 10, the canned goods rate, right at the top of the page, from Calgary to Vancouver, 641 miles, 98 cents?

A. Yes.

Q. My information is that the present rate is now $1.19.

MR. FRAWLEY: That is not what it says.

THE WITNESS: That is not what it says, Mr.Evans. You take on the bottom of the page before.

MR. EVANS: Q. You are speaking of the past?

A. No -- speaking of past, that is true, but we have seen nothing in the tariffs that might not indicate that that position would arise again, and we would like to have protection on that.

Q. Then on page 12 you speak now -- are you speaking there in "A" of the standard class rates, or what rate are you speaking of?

A. Well, our thinking is that practically all rates emanated from the class rates, and that is our understanding of it, that the standard class rates are the beginning, and from that we have other rates, special rates, commodity rates, and so on. You are speaking here of the class rates, and you say, "These variations are in our opinion no longer justified." Are you speaking there of the standard class rates?

A. Well, we are supporting a uniform basis of rate making, presuming I suppose that you won't immediately raise the rates in Central Canada, so we are asking you to give us the same basis of rates that you have in

Central Canada at the present time and give those rates to us here in the West.

Q. In other words, you want the benefit of the water competition in your local rate structure?

A. I don't think your rates in Eastern Canada, in Central Canada, are water borne; they would be more liable to be truck competitive, I think.

Q. Now let me just draw your attention to a passage from the judgment of the Board in the general investigation. I have given the Board the reference to that this morning; it is 17 J.O.R. & R., and the reference is to page 136. At the bottom of the page, it reads as follows:

> "The third above enumerated feature, namely, the difference in the standard mileage between Eastern and Western Canada, has been so often thoroughly explained and the reasons therefor developed that it is sufficient to say that under conditions as they exist no other course seems possible to follow. One cannot ignore the existence of water and other competition which lies at the foundation of this distinction, and which has been completely developed in many judgments of the Board."

Now, in view of that, the Board having found that water competition is at the basis of the difference, am I to take your suggestion to mean that you feel the West should have the benefit of that competition in its local rates?

MR. FRAWLEY: Might I interrupt, please? Are you not referring to what the Board said about schedule A rates?

MR. EVANS: No; it says in terms, standard mileage rates. Would you like to look at it?

MR. FRAWLEY: No, I will take what you say about it. That is in the 1927 general investigation?

MR. EVANS: Yes.

MR. FRAWLEY: The Board said that the standard mileage class rates ---

MR. EVANS: Read it, please; I want to get on.

MR. NOLAN: So do we all.

MR. EVANS: Q. Then I take it that you do not put it that in the West you want the benefit of the water competition to reflect itself in the Western scales?

A. I did not think I was talking about water-borne competition rates in that particular section, Mr. Evans. I was talking about rate making. I was not talking about transcontinental movement or interprovincial movement; I was talking more about intraprovincial movement.

Q. Then when you say these differences are no longer justified, you did not have in mind that the water competition no longer existed?

A. No, but if I might digress for a moment, we do not submit that the railways should not meet water-borne competition; we do not submit that they should not meet it; we do feel, however, that if you would take goods and haul them for 2800 miles for 75 cents a hundred you should not charge us 98 cents to haul them 641 miles.

Q. Then you cannot add anything further to what you say there by way of a ---

A. Well, on that, in that section A, our point was

that we would like to have some principle established on rate making, as you have in the town tariffs in Central Canada, which we did not think was influenced by water-borne competition.

Q. Now, I suggest to you that with the differences in the town tariffs and the distributing class rates and the differences in the standard mileage rates, they reflect in their origin water competitive conditions in the East, and in view of that are you prepared to say, when you say "no longer justified" that means that what the Board ordered in respect of those rates is no longer justified by present conditions? That is all I wanted to ask you. If you don't know all you have to do is say so; I will accept any answer.

A. Well, I had better say I am not qualified to answer that because -- I might add that we have seen nothing that would indicate that that was the derivation of those rates in Eastern Canada.

Q. Now, I am having a little trouble with this question of the constructive mileage. On page 13 you deal with the principle of constructive mileage; you see that paragraph?

A. Yes.

Q. Then you say:

> "This allowance be set up on a percentage basis, and if applied on traffic to Winnipeg from the lakehead and east, that Alberta traffic get this allowance on their rates affected on the same percentage basis."

I just want to see what you mean there. We have had two or three different suggestions, and I want to see what

yours is. Do you want the effect of the constructive mileage at Winnipeg reduced and the tapering start at Winnipeg and work westward, or do you want your benefit from the constructive mileage increased?

A. Well, if the benefit of the constructive mileage from the lakehead to Winnipeg is 15 per cent, say, or 20 per cent of the rate, we would like to see that percentage carried on to the west, further west, and in addition get the benefit of the mileage, because all rates we understand do taper some as the distance increases. We would like to keep that 20 per cent there plus the usual benefit from the tapering due to extra miles.

Q. You would like to have Winnipeg keep what it has got, and increase the benefit you get by the process of tapering?

A. Yes. We have not advocated that you eliminate the constructive mileage; we just ask that it be applied as far as Alberta on a percentage basis.

Q. I know, but, you see, Winnipeg now gets the full benefit of 130 miles?

A. Yes.

Q. And Alberta gets the full benefit of 130 miles?

A. Yes.

Q. Now, do you want the full benefit of 130 miles to stay with Alberta and Winnipeg to get less, or do you want Winnipeg to continue to get the 130 miles and Alberta to get more?

A. We are not saying that Winnipeg should not have the 130 miles. We would like to see that, whatever that represents, set up on a percentage basis and that applied

to Alberta, which would increase Alberta's benefit in a matter of cents per ton-mile reduction.

Q. Now, at the top of page 14, with regard to agreed charges:

> "It should not be necessary to establish actual rate competition in order that a point or points get a charge rate."

Now, I wonder what incentive there would be to enter into an agreed charge rate unless there were competition; have you anything to suggest?

A. Yes; get all the business.

Q. But how else would it go? If there were no competition how could it go?

A. A. Well, this is rate competition -- just a minute, now. I am not ---

Q. There really would be no point in making a contract to get all the business if you were going to get it anyway, would there?

A. Oh, yes.

Q. Do you think so?

A. There are some agreed charges set up, and the railways did before that time get all the business.

Q. Well, but do you think a railway would go to the trouble of reducing the rate and making an agreed charge unless it felt that it was not going to get all the business?

A. Well, of course, it might do it on the basis of being ahead of the problem, that is, anticipating there might be competition.

Q. It would be a preference, wouldn't it, in that case? Wouldn't it be a preference?

A. No, because an agreed charge -- at least, according to our knowledge of agreed charges, in none that we have seen has there been an agreed charge that is lower than some other rates.under somewhat similar conditions, where the mileage is even greater, and therefore an agreed charge does not really reduce the rate below the normal level.

Q. Now, there is one other thing, in this heading "A", and I should have gone to it -- under the heading "A uniform basis for rate-making":

> "We believe there should be a uniform basis of constructing rates from, to and between all sections of Canada."

Now, by that you mean that all the rate scales east and west should be the same?

A. That was our opinion.

Q. Would that not eliminate your constructive mileage in the west?

A. Well, constructive mileage is in an area there which is unproductive pretty well, isn't it? Perhaps I had better put it this way: there is a large unproductive area between Central Canada and Manitoba, and for that reason we thought that perhaps the constructive mileage had more good points to it than ones that were objectionable as far as Alberta economy was concerned.

Q. All I wanted to get was your idea; your idea of equality would not involve the elimination of constructive mileage?

A. No, because we only consider the constructive mileage on the transcontinental.

Q. All I want to know is whether you would eliminate it or not. Now, would it also take into account the grain rates -- equalization?

A. We did not touch the grain rates, being in the dairy industry.

Q. I want to get your view. If you want equality, would it involve equalizing the grain rates?

A. We are of the opinion that the grain rates ---

MR. FRAWLEY: The question is equalizing the grain rates. Now, for my part, I do not ---

THE CHAIRMAN: The question is what, did you say?

MR. FRAWLEY: Mr. Evans' question is, would you want the grain rates equalized? Frankly, my lord, I do not quite understand what Mr. Evans means by equalizing the grain rates, and I venture to say the witness does not either -- equalizing the grain rates.

THE CHAIRMAN: I thought the proposal was to equalize all rates.

MR. FRAWLEY: Yes, but my friend is asking about equalizing the grain rates. Now, what does that mean?

THE CHAIRMAN: The point is, does that include grain?

MR. FRAWLEY: That is a different question, my lord.

THE WITNESS: No, we did not venture into that field at all, Mr. Evans, on grain rates.

MR. EVANS: Q. Would you think that if you had equality in other rates you should also take into account the grain rates?

A. The grain rates we understand are fixed by Parliament, and we thought it possibly would not be disturbed except by Act of Parliament.

Q. I agree with you, it cannot be, but I am asking you what you think would be proper; in other words, I am asking you, do you think you should still have the advantage of the statutory grain rates with equality in all other respects with Eastern Canada?

A. Well, we did feel this, that the grain rates could not be too badly wrong at the present time, because the railways seem to have the best years when there is the largest grain movement.

Q. You would not care to answer me directly on that question. Thank you.

THE CHAIRMAN: Any other questions?

CROSS-EXAMINED BY MR. O'DONNELL

Q. Mr. Johnstone, I take it from what you said in the first paragraph of the brief there that you and the railways get along fairly well together, that the service which they give is good, and that they are, generally speaking,co-operative and helpful in so far as they can be in handling your shipments?

A. I hope I didn't say that.

Q. Well, wouldn't you say that? You wouldn't say that?

A. I would say this, that if we could deal with the western sections of the railways I think we would get along fine.

Q. But I am speaking of the service given in the handling of shipments; you have no complaints on that;

generally speaking it is good, and the co-operation that you receive is good?

A. On the point of service, Mr. O'Donnell, yes, the railways and ourselves get along very well.

Q. Well, that is all I had in mind.

Now, my lord, this brief, as was said, came a little bit late, and it is rather difficult to analyse or to try to go over all the things in it. We may have some further remarks to make about it at a later time. I just wanted to ask two or three questions, though, subject to that.

I take it, Mr. Johnstone, that, even as with the Federation of Agriculture as a whole, the dairy people in Alberta are enjoying the same prosperity which seems to pervade this part of the country at this particular time. You have never had better years than you have had recently; isn't that the fact?

A. Well, you know, I have my answer prepared for that, Mr. O'Donnell, becase I rather expected it.

Q. Very good, let me have it.

A. I would say that our prosperity is comparable with the railways' prosperity of 1939 to the present date.

Q. Well, I just happen to remember that when we were here before, two years ago, your dairy products at that time had a gross value in 1946 of $36,698,000, and that, as appears in Exhibit 20, the Budget Speech, this year the estimate is that they will be $56,117,000; that is a considerable increase, is it not, in the last two years in value?

A. Yes; that is occasioned by increased values.

Q. Beg pardon?

A. That is occasioned by increased values, not increased production, though.

Q. That is right. And in 1938, by way of comparison, the gross value was $18,587,000 in round figures. You remember we asked you for certain information the last time we had the pleasure of discussing this matter with you?

A. Well, in 1938, Mr. O'Donnell, the dairy industry was nowhere near breaking even. The average price of butter-fat from 1930 to 1939 inclusive averaged to the farmer something under 20 cents a pound butter-fat.

Q. In any event, since 1939 it has more than doubled; it has practically trebled, has it not, in value?

A. Yes.

Q. Now, let me ask you this, Mr. Johnstone; what commodities are you particularly interested in in respect of the discussion which you had with my friend Mr. Evans concerning distributing rate?

A. Well, we are interested in canned milk and butter and eggs and poultry chiefly, and of course to a minor degree supplies. The supply requirement is quite an important one, as well as the products that we handle.

Q. Well, you know there is a tariff, is there not, that already allows for the operation of distributing rates in and out on those things, dairy products, meat -- not meat necessarily, but fish, poultry, dressed and packing house products, and then particularly butter, eggs, cheese and poultry? You are aware of that tariff, are you not?

A. On quite a few points they have been discontinued, we have been advised, Mr. O'Donnell.

Q. Well, I only have this information -- supplement No. 55 to C.T.C. No. W-1904, which is supplement No. 55, C.N.R. No. W-134-E. -- between all points, that is, in and out, on the prairies.

A. That just goes up to a distance of 400 miles, though.

Q. No, no; the 400 miles are l.c.l. shipments, but these particular items go the full length, all points, 1025 miles, as appears by another tariff, C.P.R. No. W-490-B -- 1025 miles on the prairies. Were you not aware of that?

A. Some of our tariffs have been cancelled that we considered distributing rates.

Q. Well, my information is that these are the tariffs in force. You might just verify that for your own information; but you were aware of that, were you, Mr. Johnstone?

A. Could you give me that number?

Q. Yes, sure; which one?

A. Which you just quoted there -- C.P., is it?

(Page 1647 follows)

Q The C. P. is W490B and the C.N.R. is W134E. The C.T.C. number is supplement No. 55 to C.T.C. No. W1904. At page 5, Mr. Johnstone, under the heading at the bottom of the page, "Transportation problems that affect us, local rates, short haul" you say:

> "Our industry pays more for railway transportation services than in other areas with which we compete."

What areas have you in mind there? Are they the water competition areas in the east?

A It was central Canada.

Q And possibly the Maritime Freight Rates Act areas?

A No, we did not include the Maritimes.

Q I see. Then you mean particularly by "other areas" other areas in the east where water competition influences rates?

A And covered by the town tariffs.

Q Now, at page 2 you refer to the submission you made to the Board of Transport Commissioners in the 30 per cent case. At the bottom of the page you say:

> "Throughout the years Alberta, and likewise the dairy industry in our province, has paid high freight rates in comparison to other parts of Canada."

When you say that you are not overlooking the fact that the grain rates were reduced in 1925 by approximately 45 per cent?

A Well, I was talking about the dairy industry there.

Q Yes, but you take in the whole thing, "throughout

the years Alberta, and likewise the dairy industry."

A Perhaps we should have safeguarded ourselves there by sticking strictly to the dairy industry.

Q Let us take packing house products, for instance. Those were reduced, were they not, in 1921 and 1922?

A I don't know about that.

Q And livestock as well?

A I don't know about that.

Q I see. At page 10, where you refer to "export rates for our dairy products" you mention that the lowest rate Alberta could get is 60 cents a hundredweight on high minimum cars, restricted as to destination. Was that Vancouver?

A That was the Vancouver port.

Q And the shipments were for what destination?

A I think at that time they were for the zone around Calcutta and Bombay.

Q They were shipments in that particular direction, and these other rates you refer to in eastern Canada, 32½ cents and 37½ cents, had nothing to do whatsoever with this shipment that you refer to out of Vancouver?

A No, those manufacturers were getting those rates and were competing in the same market. They were interested in the same export market we were.

Q You know that the eastern ports of Saint John and Halifax are tied to the eastern ports just south of the border, for instance, Boston and Portland?

A That could be.

Q And did you investigate what effect that might have had on these rates that were being quoted then?

A No, we didn't really think we needed to.

Those eastern manufacturers were our competitors in this outside market, and their rail haul compared to ours was a prime consideration to us.

Q In any event, this particular shipment you had was one that was destined for India,, and it was dealt with on its own merits by the railways?

A Not all of them. We have shipped to the United Kingdom on a 65 cent rate.

Q Through Vancouver?

A Yes.

Q Each one of these cases to which you refer there in the Vancouver area was dealt with on its own particular merits? It was a particular shipment for which you asked for a rate?

A Well, no, it is a sort of progress affair. The first rate we were quoted was 96 cents, then 88, then 65, and finally we ended up with 60 in comparison with a 32½ cent rate in the East, and it was at that point that we felt we should have got a better rate.

Q And you did not investigate, as you previously said, in what manner eastern rates might have been affected by the American ports on the Atlantic?

A No, we had no knowledge of that.

MR. O'DONNELL: I may say, Mr. Chairman, that when Mr. Johnstone was here before he gave the Board of Transport Commissioners certain information which can be found in volume 765 at page 9873 and following, if the Commissioners are interested in it. He went into matters in more detail, particularly with regard to rates, and so on.

MR. EVANS: May I be of assistance to the Commission?

THE CHAIRMAN: Are you going to question the witness?

MR. EVANS: No, I am finished with him.

MR. MacPHERSON: There is one question I should like to ask Mr. Johnstone, if I may, following Mr. O'Donnell's cross-examination.

CROSS-EXAMINATION by MR. MacPHERSON:

Q Mr. Johnstone, who is taking your butter now in Alberta?

A Who is which?

Q Who is taking delivery of your butter now? To whom are you selling butter at the moment?

A Right in Alberta?

Q Yes.

A It is going to various points.

Q Are you selling at the floor price to the dominion government, or are you selling directly to British Columbia?

A Do you wish me to speak for the industry or for our own organization?

Q For Alberta.

A There is quite a bit of it - some going to the government and the balance is going to its ordinary destinations.

Q What percentage would be going to the government of your production at the moment?

A It would only be a guess because the government

will not publish figures on it, and it would only be a guess and perhaps quite wide of the mark.

Q I do not want you to go out on a limb. As I understand it the floor price is 57½ cents.

A 57½ cents basis Vancouver.

MR. O'DONNELL: Q. And your own is still going to your own customers, is it not?

A We are in betwixt and between. We are accumulating some now for the government.

Mr. MacPHERSON: Q. Pardon?

A We are accumulating some now for the government.

CROSS-EXAMINATION by MR. COVERT:

Q In the second last paragraph on page 4 you deal with machinery for processing, manufacturing and transporting dairy products, and you say that it is manufactured in eastern Canada or in the United States. Are you able to give us any percentage figures as to how much of that you get from the United States and how much from Canada?

THE CHAIRMAN: Pardon me a moment. Where is that?

MR. COVERT: The bottom of page 4.

THE WITNESS: Most of the equipment that is required on technical processing is manufactured in the United States, and most of the equipment for ordinary purposes can be manufactured, and most of it is manufactured, in eastern Canada. Pasteurizers and churns and the like are manufactured in eastern Canada whereas ice cream machines and evaporating equipment and the like are all manufactured in the United States.

MR. COVERT: Q. On page 12 there is the heading "Zone rates to other zones", and you deal with that matter at the bottom of page 12 and the top of page 13. Is your suggestion limited to dairy products or would you extend it? Have you got the place?

A Yes, I have. Of course we are talking about dairy products there, the movement of our production, and we think that it could also apply on equipment and supplies coming in the way it has applied in the cases outlined there.

Q On page 13, section (E), you deal with waterborne competitive rates. You refer to effective competition.

A Our point there was that there was that 75 cent rate transcontinental which was raised to 90, and I believe 96, and I believe is now $1.33. That was, as we understand it, a waterborne competitive rate at some time. We had been advised that no goods had moved actually waterborne for a long time. At least the amounts that did move by water were negligible over the years. That is the information we had. I don't know how near we are right.

Q That is what I want to get at. In dealing with these competitive rates are you suggesting that there should be some study as to the effectiveness of the competition by the Board of Transport Commissioners before they are put into effect?

A Yes. We do not take the stand that the railways should not meet waterborne competition, but we think it should be effective competition before it should be made.

Q That is what I want to come to. Are you suggesting that before a competitive rate can be put into effect that the railways must satisfy the Board as to the effectiveness of the competition, or are you suggesting that perhaps it could go into effect immediately and be studied afterwards and perhaps rescinded? What I want to find out is what you have in mind as to how the effectiveness of the competition is to be determined.

A Well, we were thinking that if it was left on that basis the railways would have sufficient information to satisfy the Board of Transport Commissioners that the competition was really effective, or was really going to be really effective very soon.

Q That is what occurs to me, that the railways would really have to decide themselves, would they not?

A Yes, first satisfy themselves and then satisfy the Board of Transport Commissioners.

Q You would not suggest any delay in putting the competitive rate into force?

A No, I would not think that would be fair.

Q Now, my last question deals with the matter of subventions which is referred to on page 14.

THE CHAIRMAN: The question of what?

MR. COVERT: Subventions. It is item H on the last page of the submission. What I am wondering is how far you would carry the principle of subventions? Would you apply it to a province or an area within the province, or a larger region?

A Well, perhaps we have not gone as far on that as we did on some other points, but our thinking - I believe this would be the thinking of our industry -

on the matter of subventions is that on the west coast it possibly might not be required because they now have waterborne competition. It is an area that is more highly industralized, and they have other modes of transportation, whereas in the prairies it is a long mileage from the east, and there is quite an area, quite a mileage that is an unproductive area, and that area might be considered more similar to the Maritimes than the other parts of Canada.

Q Whom would you have determine a matter of that kind? I suppose it would have to be done by Parliament?

A I understand that the 20 per cent subvention was an act of Parliament, was it not?

Q Yes, the Maritime Freight Rates Act was an act of Parliament.

A Our committee have not gone that far to decide that.

MR. COVERT: I think that is all.

Page 1655 follows

COMMISSIONER INNIS: Q. Would you say, following Mr. Covert's question, that the deficits of the Canadian National Railways might be classed as a subvention?

A. We did not go into the financial structure. We thought that, possibly, if the Canadian National Railways have a deficit, that some of it may, at least, be occasioned by its capital structure. We understand that they have a number of unproductive lines, especially in eastern Canada; and we rather put it down that those were the chief points which caused an operating deficit of the Canadian National Railways.

Q. In other words, that the subvention has pretty much to do with western Canada?

A. Yes.

MR. EVANS: Before we close, might I suggest to the Commission that it might like to have something more which I hope will be helpful, on this matter of distributing class rates. The Commission will recall, this morning, that a table, No. 3, in the first brief, made a comparison between town tariff rates and distributing class rates for various mileages; and you will notice that the so-called disparities are very much greater in the greater mileages. So I thought the Commission might like to have exhibit 9, a railway map, which was put in at either Regina or Winnipeg, with circles drawn upon it, which represent 100 miles from each distributing point. I thought it might help to orient the real question of how far traffic needs to move out of distributing points.

THE CHAIRMAN: That applies only to western Canada?

MR. EVANS: Yes, Mr. Chairman. There is no attempt

HH

to be mathematically correct about railway matters. So there is these small circles drawn, with centres at each distributing point, and radii of 100 miles. I will be glad to get more copies if the Commission thinks it would be helpful.

THE CHAIRMAN: Could it be made an exhibit?

MR. EVANS: Yes. The map is exhibit 9; and the map with the circles on it might be called exhibit 21.

MR. O'DONNELL: The other one was used for a different purpose.

MR. EVANS: Yes, it might be a little confusing if you used the same number.

MR. COVERT: All right, we will call it exhibit 21.

EXHIBIT 21: Filed by Mr. Evans; Railway map with circles drawn around distributing points of 100 miles radius.

MR. FRAWLEY: Mr. Chairman, the map which my learned friend proposes to put in is a map which has circles drawn on it showing 100 miles out of each recognized distributing point in western Canada. My learned friend Mr. Evans does not say that Stettler, for instance, which is a distributing point does not distribute further than 100 miles; or that Calgary does not distribute more than 100 miles. It is purely a situation to show how far one goes when one goes 100 miles out of these distributing points.

MR. EVANS: Well, if distributing centres want to compete with one another, that is another thing; but the traffic would not move more than 100 miles from any distributing point in the west.

MR. FRAWLEY: My learned friend does not pretend to say that the map does more than to show where you get to, when you go 100 miles out of Edmonton or out of Camrose.

MR. MacPHERSON: First at Winnipeg, then at Regina and now at Calgary, the Commission has heard evidence relative to town tariffs on the one hand and to distributing rates on the other. There is noquestion that these rates are relevant, or that the railways feel there are advantages under town tariffs experienced in the east, which are not experienced in the west.

THE CHAIRMAN: That is not a question offeeling; it is a question of getting down to facts.

MR. MacPHERSON: I was going to suggest, that as Mr. Evans has filed an exhibit at the moment, and in doing so he said he had left a copy with Mr. Knowles, I was going to suggest that, for the information of the Commission itself, a statement from Mr. Knowles as to what the position actually is with respect to town tariffs on the one side and distributing tariffs on the other side, would save a lot of time. We feel that we are right; and when the railways say there is no distinction, we feel definitely that there is.

MR. O'DONNELL: We did not say that.

MR. MacPHERSON: I understood there is an advantage and I think it would shorten time and save time if that were to be done.

THE CHAIRMAN: We will consider that. It is getting late. Did you propose that Mr. Knowles be asked?

MR. MacPHERSON: Yes, Mr. Chairman.

THE CHAIRMAN: We will consider it. We won't ask

him this evening. It would require some preparation, probably; but we might discuss it. Are we through?

MR. COVERT: It is ten minutes to five.

THE CHAIRMAN: What will we go on with in the morning?

MR. FRAWLEY: There is a witness here from Edmonton. He would be the next witness and he is very hopeful of getting finished and going home.

THE CHAIRMAN: We are all hoping. What is it about? What is the question?

MR. FRAWLEY: If Your Lordship has decided to rise, I have no question.

THE CHAIRMAN. Is it a matter of bringing on another brief?

MR. FRAWLEY: Another witness.

THE CHAIRMAN: What brief would that be?

MR. FRAWLEY: It is the Alberta Poultry Producers Limited.

MR. O'DONNELL: He has got to stay overnight, has he not?

MR. FRAWLEY: No, not if he reads his brief today.

THE CHAIRMAN: It is quite a lengthy brief, too.

MR. FRAWLEY: That is one of the briefs with respect to which a summary was prepared.

THE CHAIRMAN: Can you estimate how long it would take?

MR. FRAWLEY: Mr. Chairman, the witness now tells me that he would co-operate to the extent of waiting.

MR. CHAIRMAN: Very well, we will adjourn until tomorrow.

- - - At 4:50 p.m. the Commission adjourned until tomorrow, June 14, at 10:30 a.m.